

NQUTHU LOCAL MUNICIPALITY

2017/18 ANNUAL REPORT

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COMPONENT A –MAYOR'S FOR9 ² ORD

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HIS WORSHIP THE MAYOR: CLLR. SM KUNENE

The 2017/2018 annual report of the Nquthu municipality has been developed in line with National Treasury prescripts and is submitted in compliance with various pieces of legislation, such as section 46 of the Local Government Municipal Systems Act No. 32 of 2000 and sections 121 and 127 (2) of the Local Government Municipal Finance Management Act No. 56 of 2003.

This report reflects the key strategic and service delivery related projects and programmes undertaken by the Municipality during the review period. These include programmes undertaken in terms of our Integrated Development Plan (IDP) adopted by the Council in June 2017.

Highlights of success detailed in this Annual Report were undertaken in line with the strategic objectives of the municipality, which include the following:

- Ensuring access to basic services for all communities of Nquthu Municipality Developing and sustaining the spatial, natural and built environment
- Providing integrated, adequate and sustainable human settlement to all deserving beneficiaries
- Ensuring sound financial viability and management
- Ensuring a culture of public participation in municipal planning, budgeting and decision making processes.

An integrated Development Planning and Budget public participation processes were undertaken, which involves political office bearers to address and interact with public. We would not be disturbed by the late constitution of the Council on setting our primary objectives. What transpired after 2016 LGE gave us strength as the council and taught us to work together to advance for the needs of the people of Nquthu.

Lastly, I would like to express my sincere gratitude to all Councillors, Officials, community of Nquthu and stakeholders for their dedication, support and cooperation, which enabled the institution to record all service delivery progress during the year under review, through our winning motto of trust.

I THANK YOU

CLLR. SM KUNENE

MAYOR OF NQUTHU LOCAL MUNICIPALITY

COMPONENT B: EXECUTIVE SUMMARY

1.H. Municipal Manager's overview

THE MUNICIPAL MANAGER: MR. BP GUMBI

I wish to thank the Honourable Mayor, Cllr. SM Kunene, Hon. Speaker Cllr. ME Mnguni and the entire Council for their sterling strength during 2017/2018 financial year. The year has been frantic, subsequent to the dawn of the new Council after May 2017 bi-election. Officials managed to handle the pressure of multi-tasking putting Council Structures in place due to accretion caused by embitterment of Council to constitute after 2016 LGE.

In a very short space of time, we managed to prepare our Integrated Development Plan, Budget and reviewed a number of policies to strengthen our governance system. There was also a swivel traits to ensure that Council structures are workshopped on their roles and responsibilities to set high level of accountability to the electorates. We wish to extend our sincere appreciation to Ward Committee members, who are always available to assist our Ward Councillors in performing their duties. They voluntary assist with tasks without being properly equipped, and the stipend they receive is not sufficient to address concerns received from their constituencies. To our Councillors, I always pray that God Almighty may always give them strength to deal with issues of service delivery, may God strength their humble spirit in their souls and protect them from any evil forces that seek to derail their goals.

The нлмпкмр Ск¸ was one period that would always be remembered in the history of the municipality, sidling back from clean audit to unqualified was a spiteful moment but hoping for the best audit opinion this year. Another challenge postured when new MSCOA system introduced which again defrayed to a number of challenges, the calibre of the management and staff we have proved that indeed working together we can make wonders. We took it upon ourselves to reduce unnecessary expenditure and this forms part of our cost cutting measures especially on the fixed costs. This had a drastic effect on service that we offer to our community. It was also pleasing to learn that we managed to ground all our Capital projects targeted in this financial year. Surfacing of the roads within residential area of our town was a great move. Our positive relationship with our sister partners from Bornem Municipality in Belgium still continues to prevail.

Filling of critical positions for Senior Managers as well as middle managers was also a great success. We commit ourselves on working hard as a collective team which would take this municipality forward and for setting service standards for our community as we always put them first.

I THANK YOU

BP GUMBI

MUNICIPAL MANAGER

1.0 Municipal functions, population and environmental overview

1.0.1 Municipal powers and functions

In terms of the Municipal Structures Act, Nquthu Local Municipality has designated powers and functions, other powers and functions in terms of service delivery are the competency of the Umzinyathi District Municipality, the provincial government of KwaZulu-Natal and the national government of the Republic of South Africa. Water and sanitation, for example; are the competency of the district municipality under which Nquthu falls. Nquthu has the following powers:

- Access roads and storm water
- Billboards regulation
- Street cleaning
- Local amenities
- Sports and other public facilities
- Local tourism
- Municipal planning and building regulations

1.0.2 Nquthu Municipality ward delineation

The municipality is now demarcated into 17 wards after the Demarcation Board increased them from 15 wards in May 2011 in time for the General elections. The wards and their extent are listed in the table below. A further and more detailed analysis of the current demographic, social, economic and environmental status quo is included in later sections of the document.

1.0.3 Traditional Leadership in Nquthu

Nquthu LM comprises of nine (9) traditional council areas, namely:

1. Sizamile
2. Jama
3. Khiphinkunzi
4. Emandleni
5. Mbokodebomvu
6. Vulindlela
7. Mangwe-Buthanani
8. Molefe
9. KwaZondi

1.ก Socio-economic profile

1.ก.1 Population Size

According to the 2016 Community survey, UMzinyathi DM has a total population of 554 884 which shows a steady increase compared with the 2011 figures. Nquthu Local Municipality is the second largest contributor with a population of 171 325.

The population per municipality in the uMzinyathi DM is broken down as follows:

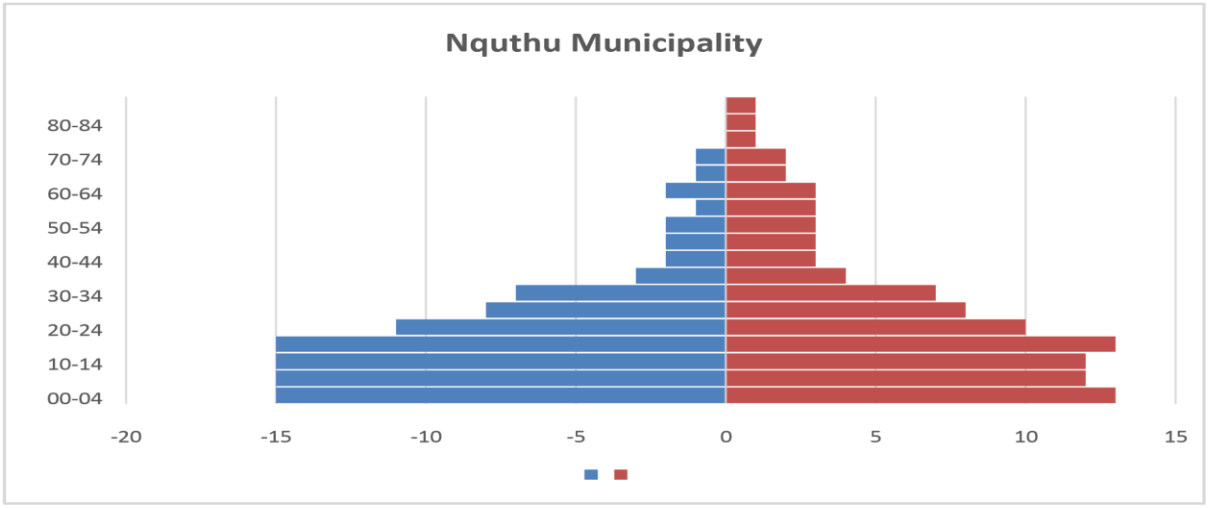
Table 1.п.1: *Total Population*

Municipality	Total population	% of Total population	Households
Umzinyathi	**554 884**	**100 %**	**126 791**
Endumeni	76 640	13.81 % of the district	21 134
Nquthu	171 325	30.88 %% of the district	32 622
Msinga	184 494	33.25 %% of the district	38 372
Umvoti	122 424	22.06% % of the district	34 664

SOURCE: *Stats SA 2016 Community Survey*

1.п.2 Population distribution

The pyramid below illustrates the population distribution of Nquthu Local Municipality by age and gender in the year 2016. The pyramid is narrowly distributed and indicates that the largest population range is between 00-04, 10-14, 20-24 and 30-34 which is approximately 64.1 per cent of the total population. **TABLE 1.3.2:** Population distribution



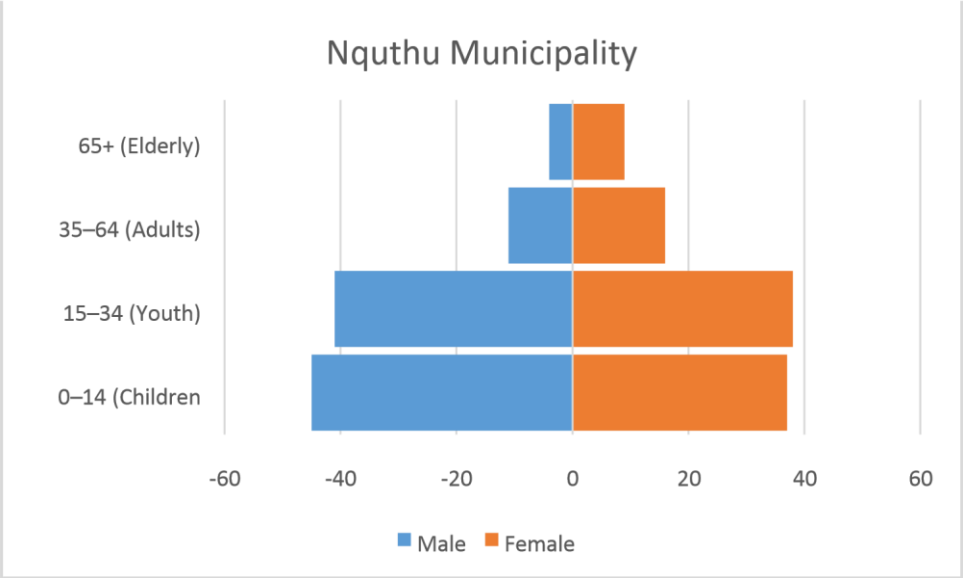
SOURCE: *Stats SA Community Survey*

The percentage between the female and the male population is almost the same in this range. However, it is worth noting that from the age of 34 and above, the percentage of the female population is greater than that of their male counterparts. This could be the result of factors such as migration patterns and lifestyle choices by both genders.

1.п.3 Gender by broad age

The graph below illustrates that the population by gender is predominantly males from the 014 age groups to the 15-34 age group. The graph then shrinks as the age group increases in both males and females from youth to the elderly although studies have not been undertaken to find what are the main causes of this change, however the assumption is that Nquthu is a rural area with every little economic activity therefore people migrate to urban areas to seek work opportunities and a better standard of living.

TABLE 1.п.3: Gender by broad age



SOURCE: *Stats SA 2016 Community Survey*

1.п.4 Population groups

Nquthu consists of a large rural population (over 90%), with less than 10% of its people living in the semi-urban areas of Nquthu Town (3.44% living in Nquthu Town), Nondweni, Isandlwana and Ngolokodo. Roads and storm water in these rural areas are in a poor condition. This places enormous pressure on the delivery of services.

TABLE 1.П.4: Population groups

MUNICIPALITY	BLACK	COLOURED	INDIAN/ASIAN /	WHITE	OTHER
UMzinyathi	**96.6%**	**0.5%**	**1.3%**	**1.4%**	**0.1%**
Endumeni	83.9%	2.6%	5.9%	0.4%	0.4%
Nquthu	99.7%	0.1%	0.1%	0.1%	0.1%
Msinga	99.6%	0.1%	0.1%	0.1%	0.1%
Mvoti	94.6%	0.8%	2.2%	0.2%	0.2%

SOURCE: *Stats SA 2016 Community Survey*

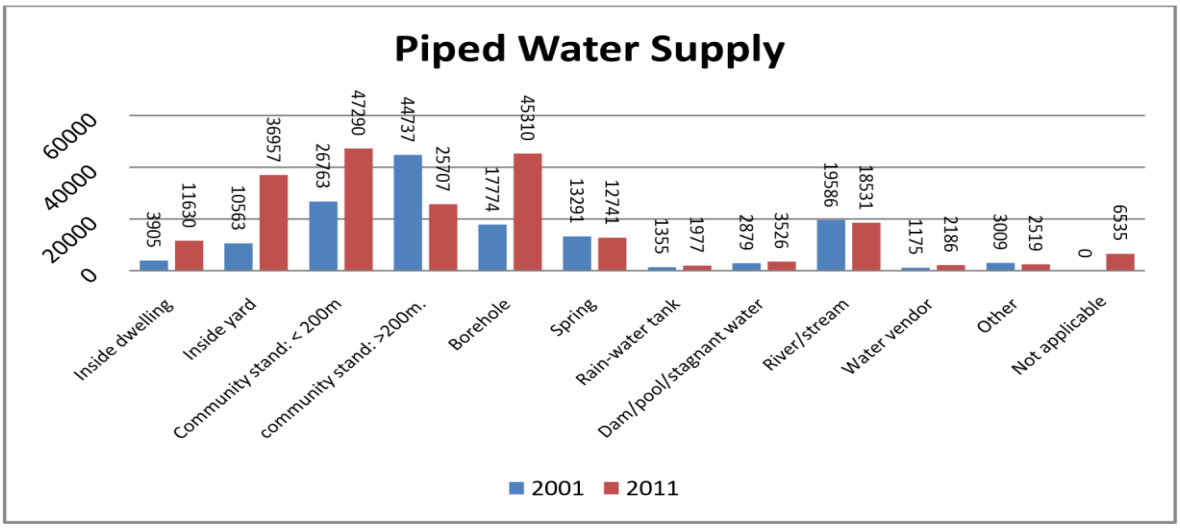
The population of Nquthu is distributed throughout the Municipality comprising 17 Wards, although the southern areas are less densely populated due to the topography. The highest number of residents are settled in wards 1, 3, 10, 11 and 15 however ward 6 has the least population.

1.П.5 Household size and structure

According to the 2011 census data, there are 31 612 households in Nquthu Municipality. This marks an increase of 2 195 from 29 417 households recorded in 2001. Average household size is 5.2, which is slightly lower than 5.7 in 2001. Female headed households' amounts to 60%.

1.П.6 Water

The majority of Nquthu residents have water access through piped water on community stand in a distance of less than 200m from the dwelling. A little number of 2519 households use other source to get water this has improved compare to 2001 Statistics which reflects that 3009 households uses other sources for water. **TABLE 1.3.6:** Water supply

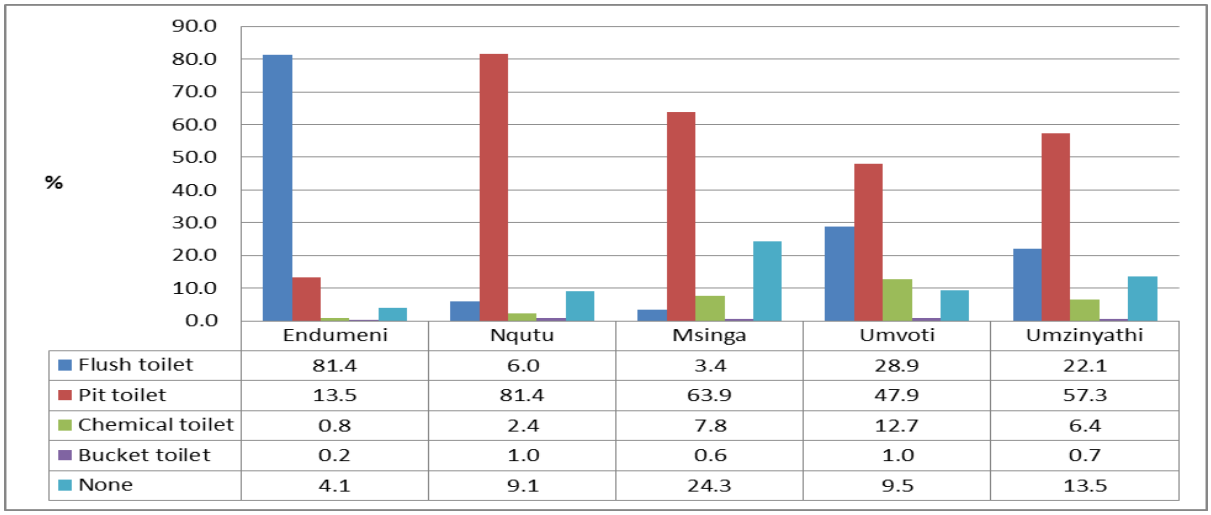


SOURCE: *Census 2011*

1.п.7 Sanitation

Sanitation is one of the main basic services that the community needs the most. The sanitation provision is the function of UMzinyathi District Municipality therefore the District Municipality is supplying with sanitation so as to eradicate the bucket system and provide those who do not have access to sanitation at all. As can be seen on the following chart, there is 6.0% of flush toilet, 81.4% of Nquthu area has an access to Pit latrine toilets, 2.4% has an access to Chemical toilets, 1.0% of the area still uses the bucket system and 9.1% does not have an access to the sanitation. This shows that there is still a backlog of sanitation in Nquthu area which still needs to be address so as to fulfil the basic needs of the community.

FIGURE 1.п.7: Access to sanitation



	Endumeni	Nqutu	Msinga	Umvoti	Umzinyathi
Flush toilet	81.4	6.0	3.4	28.9	22.1
Pit toilet	13.5	81.4	63.9	47.9	57.3
Chemical toilet	0.8	2.4	7.8	12.7	6.4
Bucket toilet	0.2	1.0	0.6	1.0	0.7
None	4.1	9.1	24.3	9.5	13.5

SOURCE: *Stats SA 2016 Community Survey*

1.р Financial health overview

While the municipality is mostly grant dependent and lack the necessary organizational (adequate personnel) and financial capacity, but its finances are manage in the most economical and efficient manner possible. The municipality is in a financially healthy state despite the challenges that were prevalent during the financial year under review.

1.с Organizational development overview

The municipality made some good progress in the 2017/18 financial year as far as organizational development is concerned. Some of the highlights of the municipality's organizational development achievements were the following:

- Successfully filling of critical section 56 managers positions; Corporate Services and Technical Services directors were appointed and processes to appoint the Community Services director were concluded and is awaiting approval from KZN COGTA;
- The majority of vacant middle management positions were filled;

- The municipality made a break-through on the issue of Job Evaluation and implementation shall commence in the 2018/19 financial year, and
- There was no labor unrest or strikes in the municipality and no injuries or fatalities in duty.

DEPARTMENT	FILLED POSTS	VACANCIES	MALES	FEMALES	TOTAL
Senior Manager	05	01	04	0	06
Office of the MM	13	03	05	08	16
Planning and LED	10	04	06	04	14
Budget and Treasury	26	07	14	12	33
Corporate Services	37	19	22	25	56
Community Services	37	22	18	19	59
Technical Services	76	12	53	23	88

1.T Auditor General's audit outcome

The Auditor General has conducted an extensive audit and issues an opinion which is fully captured in this report. The main area of concern identified by AG was indicators that were not supported by relevant documentation and the municipality will address these finding through it AG Action Plan.

CHAPTER 2 -GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1 Political governance

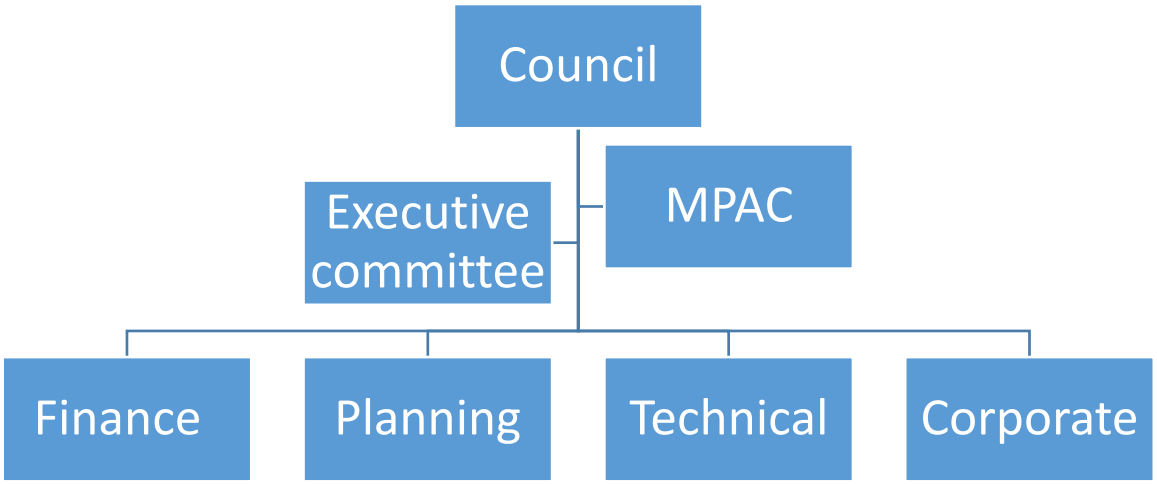
2.1.1 Introduction to political governance

The municipality's highest decision making body is Council and is chaired by the Speaker. Council is made up of a total of thirty three (33) councillors of which seventeen (17) are ward councillors and sixteen (16) are proportional representation/political representatives councillors.

The second layer of political authority rests with the Executive Committee which is chaired the Mayor. The Executive Committee consists of six (6) members, four (4) of which are chairpersons of portfolio committees. The municipality has four (4) portfolio committees, which are the Finance Committee, Technical Services Committee, Planning, Housing, LED and Tourism Committee as well as Corporate and Community Services Committee.

Council also has an oversight structure, the Municipal Public Accounts Committee. This committee plays an oversight role on behalf of Council and reports directly to Council.

2.1.2 Political structure



2.1.3. Council representation

The Council of Nquthu was inaugurated at the beginning of the 2017/2019 financial year on 06 June 2017. Nquthu LM Council is made of representatives of political parties, there is no independent councillor. Political parties are represented in Council as depicted below:

(a) Ward councillors

Ward	*Ward size (Ha)*	*Ward Councillor*	*Gender*	*Party*
1	*35028*	*Z Sithole*	*F*	*IFP*
2	*16608*	*RS Langa*	*M*	*IFP*
3	*22822*	*EM Mkhwanazi*	*M*	*IFP*
4	*16727*	*ME Mnguni*	*M*	*IFP*
5	*15413*	*IL Shabalala*	*M*	*IFP*
6	*2080*	*MSK Gumbi*	*M*	*ANC*
7	*11798*	*NM Buthelezi*	*M*	*IFP*
8	*9890*	*SM Buthelezi*	*M*	*IFP*
9	*9044*	*SP Mathe*	*M*	*IFP*
10	*12931*	*FA Hlatshwayo*	*M*	*IFP*
11	*6040*	*SM Kunene*	*M*	*IFP*
12	*4988*	*JN Khoza*	*M*	*IFP*
13	*6336*	*JZ Ndima*	*F*	*IFP*
14	*1453*	*SD Masimula*	*M*	*IFP*
15	*11227*	*AS Zulu*	*M*	*IFP*
16	*9107*	*GF Molefe*	*M*	*ANC*
17	*4729*	*SMC Zikode*	*M*	*ANC*

(b) Proportional representation councillors

	Name of Councillor	*Gender*	*Party*
1.	*CT Buthelezi*	*F*	*ANC*
2.	*LS Hoffman*	*F*	*ANC*
3.	*CN Xulu*	*F*	*ANC*
4.	*MN Khanye*	*F*	*ANC*
5.	*NS Mkhize*	*F*	*ANC*
6.	*TJ Motloung*	*M*	*ANC*
7.	*LC Moloi*	*M*	*ANC*
8.	*BI Zwane*	*M*	*DA*
9.	*HMShelembe*	*M*	*EFF*
10.	*PP Ntombela*	*F*	*IFP*
11.	*NG Mdlalose*	*F*	*IFP*
12.	*MR Ngobese*	*F*	*IFP*
13.	*NM Zungu*	*F*	*IFP*
14.	*TA Dlamini*	*M*	*IFP*
15.	*ET Nhlebela*	*F*	*NFP*
16.	*TZ Buthelezi*	*F*	*ANC*

2.1.4 Functional analysis

In order to maximize administrative and operational efficiency, all powers subject to section 32 of the Local Government: Municipal Structures Act 1998, not otherwise delegated, have been delegated to the Executive Committee excluding the following:-

- Approval of an Integrated Development Plan
- Passing of by-laws
- Approval of budgets
- Imposition of rates and other taxes, levies and duties
- Raising of loans

The following councillors have been designated as full-time councillors:-

- Mayor
- Speaker (Who is the chairperson of Council)
- Deputy Mayor

2.2 Administrative governance

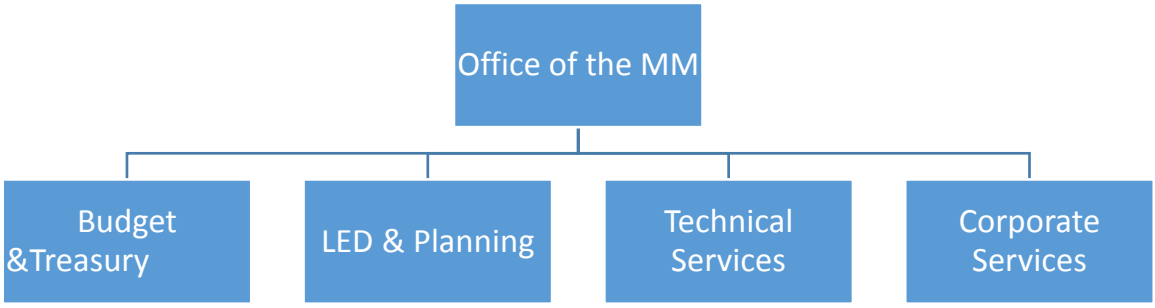
2.2.1 Introduction to administrative governance

NquthuLocal Municipality comprises of 5 departments that report directly to the Municipal Manager, the Administrative Head. The Corporate and Community Services departments were combined under one director and one portfolio committee in the 2017/18 financial year, but they will be split when the Community Services director is appointed. Municipal administrative departments are as follows:

- Budget and Treasury;
- Corporate and Community Services;
- Planning, LED and Housing, and
- Technical Services

The municipality has an administrative structure as depicted below:

FIGURE 2.2.1: Administrative structure



COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3 Intergovernmental relations

The Intergovernmental Relations Framework Act No 13 of 2005 was promulgated to establish a framework for the national government, provincial governments and local governments in order to ensure, amongst other things, the following:

- Promotion and facilitation of intergovernmental relations;
- Provision for mechanisms and procedures to facilitate the settlement of intergovernmental disputes; and
- Provision for matters connected therewith.

The objective of the Act is based on the principle of co-operative governance as set out in Chapter 3 of the Constitution. The Act also aims to facilitate co-ordination in the implementation of policy and legislation including:

- Coherent government;
- Effective provision of services, and
- Monitoring implementation of policy and legislation, and realization of national priorities.

Nquthu Local Municipality has the following Intergovernmental Relations Structures in place:

NO.	STRUCTURE	OBJECTIVE	FUNCTIONALITY
1.	**Mayor's Forum**	The objective of this forum is to allow the political principals within the district to collectively provide political direction and ensure and ensure a good working relationship within the district family of municipalities.	Functional
2.	**Planner's Forum**	The objective of this forum is to co-ordinate planning. Nquthu Municipality does not have its own forum but seats at the district as the UMzinyathi District Municipality has established the forum where the district family of municipality engage to ensure communication amongst the various planning and development within the district is undertaken in a holistic way.	Functional
3.	**IDP Technical Committee**	This is a district based structure in which all local municipalities are represented. The objectives of this committee are the following:	Functional

		• Streamline all planning processes; • Coordinate the implementation of and reporting on the B2B programme, and • Provide a platform for sector departments and all stakeholders to engage each other.	
4.	**Disaster Advisory Forum**	The objective of this forum is to create a platform between municipalities, sector departments and all other stakeholders to be able to share information and combine their efforts in developing and implementing disaster management plans.	Functional
5.	**IDP Stakeholder Representative Forum**	Provide a platform for Nquthu LM to engage and share information with all sector departments, government entities and all relevant stakeholders in order to ensure that all the development efforts are coordinated and streamlined.	Functional

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4 Public meetings

Public meetings constitute the backbone of public participation in municipal affairs to allow community members to make their inputs and allow the municipality to respond better to the needs of the community. Most community meetings are conducted at a ward level and are devided into two main categories, that is; ward committee meetings and general public meetings.

Nquthu LM is performing very well with regard to the holding of public meetings in all wards, the table below summarizes the municipality's performance in the area of holding public meetings and functionality of public participation structures. The summary of public participation performance table is attached as Annexure B.

2.5 IDP Public Participation and alignment

An Integrated Development Planning is a key planning process for the municipality that inform and guide all municipal developmental or service delivery programmes and/or projects. Even the municipality's budget is primarily based on the IDP; all the allocations made are basically a tool to implement the IDP.

The municipality embarked on an intensive public participation process during the 2017/18 financial year to ensure that the IDP responds better to the needs of the people. As part of this process, a total of forty four (44) IDP consultation meetings were held in all seventeen (17) wards whereby residents directly engaged on the 2018/19 Draft IDP Review and were given a chance to make their inputs. On average, each meeting had an attendance of one hundred and fifty (150) people which equates to around six thousand and six hundred (6 600) people directly consulted.

COMPONENT D: CORPORATE GOVERNANCE

2.6 Risk management

Nquthu Municipality has an in-house Risk Assessment Officer who under the guideline of Section 62(1) of Municipal Finance Management Act (MFMA) assists the Accounting Officer/ Municipal Manager in his responsibility towards Risk Management including anti-fraud and corruption and ethics. As stated in the MFMA that the Accounting Officer of the municipality is responsible for financial administration of the municipality and must for this purpose take all reasonable steps to ensure the municipality maintains effective, efficient & transparent systems of financial and risk management and internal control.

Nquthu Municipality operates under the Enterprise Risk Management Framework (ERM) which specifically addresses the structures, processes and standards implemented to manage risks on an enterprise-wide basis in a consistent manner.

Nquthu Municipality reviewed its Risk Management Policy which was tabled and adopted by Council on the 28th March 2013. The policy have been reviewed for alignment with the Enterprise Risk Framework of the Municipality. Risk Committee has been established by Nquthu Municipality to assist the Municipal Manager to fulfil his risk management and control responsibilities in accordance with prescribed legal and corporate governance principles. The municipality have appointed the independent chairperson to chair the Risk Committee. To date the municipality executed Annual risk Assessment to identify the operational and Information Technology Risk. The identified risks are monitored through the action plans.

The duties of this committee are:

- Review the risk management policy and strategy and recommend for approval by the Municipal Manager and Council;
- Review the risk appetite and tolerance and recommend for approval by the Municipal Manager and Council;
- Review the municipality's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register;
- Evaluate the effectiveness of mitigating strategies to address the material risks of the municipality;
- Report to the Municipal Manager and Audit Committee any material changes to the risk profile of the municipality;
- Review the fraud prevention policy and recommend for approval by the Municipal Manager and Council;
- Evaluate the effectiveness of the implementation of the fraud prevention policy;
- Review any material findings and recommendations by assurance providers on the system of risk management and monitor that appropriate action is instituted to address the identified weaknesses;
- Develop goals, objectives and key performance indicators for the Committee for approval by the Municipal Manager;

- Develop goals, objectives and key performance indicators to measure the effectiveness of the risk management activity;
- Set out the nature, role, responsibility and authority of the risk management function within the municipality for approval by the Municipal Manager, and oversee the performance of the risk management function, and
- Provide proper and timely reports to the Municipal Manager and Audit Committee on the state of risk management, together with aspects requiring improvement accompanied by the Committee's recommendations to address such issues.

2.7 Anti-corruption and fraud

In terms of the Municipal Systems Act (MSA) Act 32 of 2000 Section 83 (c), if a municipality decides to provide a municipal service through service delivery agreement with a person referred to in section 80 (1) (b), it must select the service provider through selection processes which minimize the possibility of fraud and corruption.

Nquthu Local Municipality has the following strategies in place to prevent corruption, fraud and theft:

- Risk Management Policy.
- Anti-Fraud and corruption strategy

A Risk Management Committee is also in place to assist the Accounting Officer in addressing oversight requirements of risk management and evaluating and monitoring the municipality's performance with regards to Risk Management, Fraud Prevention and Corruption. Anti-Fraud Strategy was adopted by the Council on the 11th May 2011.The Risk Management committee review the policy annually.

2.8 Supply chain management

SCM is fully staffed and all the bid committees are in place, SCM policy, delegations are also in place. The functions and responsibilities of SCM in Nquthu Municipality are as follows:

- Aligning information system, applications, work processes and role boundaries to support functional outcomes related to the stock control, requisitioning, procurement, utilization, etc;
- Controlling administrative sequences and mechanism related to bid documentation, opening, registering, recording and evaluation of bids;
- Providing guidance to personnel on the interpretation of procedures application and communication sequence associated within the supply chain management cycle;
- Arranging and attending specifications and site meeting to communicate or inform prospective bidders on requirements, specific term and condition;
- Attending to the verification and prequalification of person/companies participating in the bidding process;
- Controlling stock receipting, storage, counting and issuing applications, investigating deviations and monitoring application of corrective procedures;

- Preparing reports related to a specific analysis or investigations and forwarding to the respective committee on approval by the immediate superior;
- Provide SCM advices to institutional management teams and SCM Practitioners;
- Ensure the compliance in finance and SCM procedures;
- Oversee the implementation of SCM and Finance policies and legislative
- Monitor and control all stock/ material to and from stores;
- Control the receipting, storage and utilization of stock;
- Check supplier documentation, record short delivery and damages on documents;
- Order, rotate and monitor stock;
- Receive and verity requirements on approved transactional documentation;
- Follow up on instructions on disposal of damaged stock, and
- Implement control procedures/ supervise subordinates and monitor attendance and performance and allocate tasks.

2.9 Policies and by-laws

The following is the list of policies and by-laws that are kept under the records of registry:

- Exit policy and procedure in the work place.
- Supply Chain Policy
- Policy on payment and travel subsistence allowance
- Promotion of access to information.
- Procedure on recruitment, selection, placement, probation, promotion, transfer, and demotion of staff.
- Fixed asset management.
- Fleet management policy.
- Records management policy.
- Remuneration management policy.
- Credit control and debt collection policy.
- Training and development policy (Incorporating ABET and recognition of prior learning process).
- Banking and Investment Policy
- Job evaluation policy
- HIV and AIDS in the workplace policy
- Acceptable use on e-mails, internet and other computer resources in the workplace policy.
- Employee assistance and wellness program
- Policy and procedure on sexual harassment and intimidation
- Communication policy
- Internal staff leave management
- Security and access control
- Tariffs policy
- Smoking in the workplace
- Staff payroll deductions

- Overtime and standby services
- Funeral and burial policy
- Keeping of animals
- Credit control and debt collection – by-laws
- Cemetery and crematoria
- Municipal Public Transport – by-law
- Out-door advertisement- by-law
- Electricity supply- by-law
- Property encroachment- by-law
- Street trading- by-law
- Standing rules of order- by law Tariff policy for indigent persons- by-law

There are other policies that are available to the municipality website and updated in the municipality's website:

- Bad debt policy
- Funding and reserve policy
- Virement Policy
- Debt collection and credit control policy
- Banking cash management and investment policy
- Borrowing policy
- Property rates policy
- Supply Chain Management policy
- Tariffs policy
- Financial Planning policy
- Indigent policy
- Budget policy
- Language policy.
- Employment equity and procedure.

2.10 Municipal website

The municipality had an operational website, however; the website is not as effectively managed and updated due to vacancies in the IT unit. The municipality is planning to capacitate this unit through filling of vacancies and improving of IT unit.

2.11 Public satisfaction on municipal services

Nquthu Local Municipality has not been any survey conducted in the 2017/18 financial year. The municipality, therefore, moves from the premise that survey is very vital to decision making. It is therefore incumbent of municipality to conduct at least one major survey a year. Focus areas of survey will be; customer satisfaction, external and internal stakeholders and other related issues.

The municipality views the satisfaction of the public very seriously and plans to attend to this matter, subject to availability of necessary resources.

2.12 Audit Committee

The municipality have a functional Audit Committee that helps Council and management to identify weaknesses in control internal control and their application and also identify areas of improvement. The Audit Committee report for the year under review is incorporated below.

AUDIT COMMITTEE REPORT *(FROM NEXT PAGE)*

REPORT OF THE AUDIT AND PERFORMANCE AUDIT COMMITTEE TO THE COUNCIL OF NQUTHU MUNICIPALITY FOR THE 2017/18 FINANCIAL YEAR

The Nquthu Municiplaity's Audit and Performance Audit Committee (AUDCOM) presents its report to the Council for the Financial Year (FY) 2017/18 below.

Mandate

The Nquthu Municipality established an Audit Committee in terms of section 166 of the MFMA, section 14(2) (c) of the Local Government Municipal Planning and Performance Regulations, 2001 (Regulations) and MFMA Circular No. 65 issued by the National Treasury in November 2012. Consideration has also been given to the recommendations contained in the King Report on Governance for South Africa 2009 (King III).

Members and attendance at meetings

The Nquthu Municipality appointed AUDCOM comprises of two (2) independent, external members who attended regular meetings of the Committee as per the schedule of meetings.

AUDCOM members were Mr N.U Rajkumar (Chairperson) and Mr Z. Zulu. The AUDCOM has agreed to affect the meeting attendance clause of the AUDCOM charter, and recommended that the Council should consider recruiting three (3) new members in order to ensure that all meetings called have a quorum. Subsequently the municipality acceded to the AUDCOM'S request and two new independent members were recruited, effective for the 2018/2019 financial year.
The AUDCOM raised a concern about the content, structure & quality of the minutes taken throughout the 2017/2018 financial year.

Responsibility

The legal responsibilities of AUDCOM are set out in terms of section 166 of the MFMA and operate within the terms of the Audit and Performance Audit Committee Charter approved by the Council.

In the conduct of its duties, the AUDCOM has performed the following statutory duties relating to the 2017/18:

1. **Reviewed internal financial control and internal audit**

 The internal audit function was outsourced and it was operational for the FY 2017/18.
 The internal Audit team was working on the approved Audit Plan and was able to cover the full scope set for the FY 2017/18. The AUDCOM noted and appreciated the work done by the out-sourced Company: NTSHIDI & ASSOCIATES.

 Internal audit submitted the following reports for the period under review:

- Follow up on Audit General Report
- Follow up on the Internal Audit prior year reports
- Performance Management system
- Human Resource, payroll / salaries
- Project Management (road infrastructure)
- Assets Management
- Waste Management
- Local Economic Development Plan
- Fleet Management
- Income (including grant income, refuse, rentals income and all other income
- Bank and investments
- Tenders and contracts
- Reporting to National Treasury and Provincial Treasury (sec 71 Reports – MFMA Compliance)
- Procurement and payments of goods and services (SCM)
- PMU Audit report for projects

Internal audit reports include recommendations to improve internal controls together with agreed management action plans to resolve the issues reported.

Based on the internal audit findings the effectiveness of the general control environment still needs attention as various findings were rated as "significant". Management made a commitment to address these findings.

The AUDCOM emphasized the importance of following & adhering to the AUDCOM'S work plan throughout the financial year.

2. Risk Management

The AUDCOM is responsible for oversight of the internal and external auditor as well as financial reporting. Because the assessment of internal controls over financial reporting is risk-based, the AUDCOM is responsible for overseeing management's risk framework and policies and discussing the Municipality's key risk exposures with management.

The internal audit function provides independent assurance in relation to the management's assertions surrounding the robustness and effectiveness of risk management maturity.

The AUDCOM noted the updated 2017/18 risk registers and the attempt to establish the Municipal Risk Management Committee and expressed its appreciation for the effort and significant improvement there off.

3. **The credibility, reliability and accuracy of financial reporting and information as well as accounting policies**

Based on the results of the internal audit reviews and information that was circulated with quarterly AUDCOM packs for all meetings, the Municipality's system of internal financial controls and reporting is not yet fully effective. The AUDCOM noted that there is room for improvement to achieve overall clean administration. The AUDCOM noted that the municipality has made some attempts to comply with section 122 (1) of the MFMA by drafting a plan that will assist to produce credible annual financial statements for 2017/18.

4. **Performance Management**

The AUDCOM also serves as the Performance Audit Committee. Internal Audit reviewed the Municipality's performance for all quarters during the year and tabled the report at every meeting of the Performance Audit Committee. The AUDCOM noted with concern the shortcomings highlighted in the Internal Audit reports and that the performance of Sec 57 employees had been evaluated over four quarters of the financial year. The AUDCOM is of the view that the monitoring function of the Performance Management System could help Directors to focus on the critical areas of the municipal performance for improvement. The Directors must take ownership of their scorecards. The AUDCOM noted that it is going to be difficult for the municipality to perform PMS services if the key positions are not being filled. Management promised to fast track the filling of critical vacancies at senior levels.

The AUDCOM has been consistently receiving reports from the Performance Management Business Unit regarding the progress with Back to Basic and observations is that the municipality is not improving at this level.

The AUDCOM has noted that the municipality has not been consistent in reporting on the compliance to legislations with regards to the Performance Management.

5. **Effective Governance**

The AUDCOM fulfils an oversight role regarding the Municipality's governance processes. It is responsible for ensuring that the internal audit function is independent and has the necessary resources, standing and authority to enable it to discharge its duties. Furthermore, it oversees cooperation between the internal and external auditors, and serves as a link between the Council and these functions.

The internal and external auditors have unlimited direct communication means to the AUDCOM, primarily through its Chairperson.

The Mayor and the Chairperson of MPAC have a standing invitation to attend AUDCOM meetings. It must be noted that for the chairperson of MPAC has not attended all the meeting of the AUDCOM. The Chairperson of AUDCOM has not attended the MPAC meeting at Nquthu

Municipality where oversight agenda was discussed and adopted with recommendations. The reason for this is that he was not invited to such meetings.

The AUDCOM is concerned about the key performance of the MPAC at the Municipality and this has been a challenge throughout the FY.

The AUDCOM is concerned that the majority of Ward Committees are still not functioning as intended.

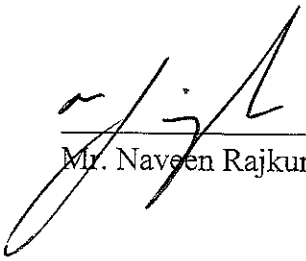
6. Compliance with Legislation

The AUDCOM has noted instances of non – compliance with policies and procedures, MFMA and SCM Regulations. The progress to move to full compliance by means of comprehensive checklist will be monitored on a quarterly basis.

7. Key issues dealt with and recommendations

- Management should ensure that credible, reliable and accurate financial and performance information is submitted on a timely basis to the AUDCOM for review. In this regard the Municipal Manager should ensure that AUDCOM agenda packs contain complete, credible and accurate information, including interim Financial Statements & applicable s71 & s72 reports.
- The Municipal Manager and Council should critically review the Municipality's scorecard for 2017/18 as soon as possible for alignment with the budget, clearly defined KPI's and specific, measurable, attainable, relevant and time-bound targets.
 All amendments should be communicated and approved in line with legal requirements.
- Although internal controls are in place, the AUDCOM requested that there must be consequence for non-adherence with internal controls and non-compliance with law and regulations.
- The Municipal Manager should ensure that recommendations of internal and external audit are implemented as per the action plans and report on progress on a quarterly basis. This should assist to obtain a clean audit.
- The council should monitor progress with the performance against planned objectives on a monthly basis to improve on the actual achievements based on adequate supporting documentation.
- The council should take appropriate action to ensure that Ward Committees are functioning properly.
- The Accounting Officer and Council should ensure that an efficient Audit Committee is in place for at least the next three years.
- The Municipality should implement & closely monitor its' Revenue Enhancement Programme '.
- Risk actions plans must be part of senior managers performance plans & MANCO meetings.
- The in house internal auditor be developed, trained & monitored.

On behalf of the Audit Committee



Mr. Naveen Rajkumar (Chairperson)

CHAPTER 3–SERVICE DELIVERY PERFORMANCE

COMPONENT A: BASIC SERVICES

3.1 Water provision

The provision of water is the function of Umzinyathi District Municipality under which Nquthu LM falls. However, water provision is one of the biggest challenges in Nquthu and is a basic needs of the people and the municipality considers the provision of water to be a high priority. The municipality has entered into an agreement with Gift of the Givers which is a non-profit organization as part of the municipality's efforts to address the water challenge in Nquthu. In terms of this agreement, Gift of the Givers will identify all existing boreholes that need to be rehabilitated and also drill new boreholes in areas where there is serious water scarcity.

3.2 Sanitation

Like water provision, sanitation is not the function of Nquthu LM, but that of Umzinyathi DM. These two municipalities worked hand in hand in dealing with the provision of sanitation in Nquthu as this is not just a service delivery issue, but also a health imperative.

3.3 Waste management

The municipality services the Town on Nquthu and different nodes within Nquthu on waste removal. Waste removal unit had a staff compliment of 20 employees, excluding EPWP workers; permanently employed for street cleaning and refuse removal.

The municipality also operates a DEA funded Buy Back Centre initiative which contributes immensely in waste collection while at the same time promoting recycling and creating sustainable business opportunities for small enterprises, especially women and youth.

3.4 Electricity

Electricity is the competency of Eskom as Nquthu LM is a low capacity municipality which cannot on its own fund and manage all its electrification projects and cannot maintain all the electricity networks. However, Nquthu LM is responsible for electricity reticulation and network maintenance in ward 14 which is the commercial centre of Nquthu and also use its municipal portion of INEP grant to connect unelectrified households' areas, as explained below.

The municipality has done very well as far as the electrification of rural households is Eskom concerned. A total of 903 electricity connections were made in 2017/18 financial year, however; due to an outstanding evidence data from service providers/project managers, not all of these connections were captured in the attached APR for purposes of ensuring the credibility of the APR, but the outstanding evidence will be attached as an annexure on the final AR to prove the claim herein made. Below is a close-out report of the total number of electricity connections made as part of the Nomathinta Phase2 electrification project. Illustrated below are pictures of electrification project in progress as well as the close-out report of the project.



FIGURE 3.4: *Nomathinta electrification project underway*

3.5 Housing

Housing provision is one of the developmental priorities of the municipality which is funded by the Department of Human Settlement but planned and managed by the municipality. The municipality has a housing sector plan that guides its approach to initiating and managing housing development projects. We are having two projects in construction stage and both are found in urban areas that are Nondweni in ward 6 and Nquthu Phase2 in ward 14. Both projects are having common problems of missing beneficiaries. In the year of 2017/2018 there are 69 houses constructed in Nondweni and there are 165 houses constructed in Nquthu Phase2. Most of the people live in their decent houses. Both projects have applied for the extension period of time for completion of their work. The total number of houses built for both projects in this financial year is 234 new houses which is 95% of our target and there are 500 houses rectified under Nondweni Rectification project.

We have also four housing projects in a planning stage, which are Jama Rural housing project, Qhudeni Rural housing project, Ndatshana Rural housing project and Isandlwana Rural housing projects. These projects are having 1000 units each. Three of these projects completed Stage1 but Isandlwana is in Feasibility stage for Planning. These projects are expected to decrease a housing backlog in our municipality.

We have a project of Housing Social Survey conducted in all wards with the intention to get a housing backlog in our municipality. It was started on the 5th of March 2018. On the 6th of June 2018 the service provider met a committee and presents the draft report for the project; some inputs were made during the presentation for amendments of the preparation of the final draft report. The service provider will present to the Portfolio for interrogation before presenting to the

Full Council for approval or adoption. On the 8th of June the service provider has applied for the Extension of time for one month of July 2018 to complete. This exercise will play a major role in the review of the Housing Sector Plan to identify potential areas for housing projects.

Our challenges were found between the last quarter of 2016/2017 and the 1st quarter of 2017/2018; whereby our municipality was faced with political instability that caused interruption to the progress of our housing projects, that is why all our service providers applied for extensions of time to complete their projects in a good manner. That period was difficult to the service providers to visit the communities without community leaders or councillors to lead them. Other challenges are that of the missing of beneficiaries in our construction projects. The service providers find difficult to build houses if there beneficiary does not avail or come forward to sign for the building of his or her house. This lead to the vandalism of many houses that also make our projects to delay too. Deceased beneficiaries also cause problems whereby heirs are not nominated by a beneficiary. Our major problem is also the waste of water in Nquthu Phase2 housing project by the people from the rural area, it causes a huge debt between our municipality and uMzinyathi District Municipality.

We have also a project of Sukuma Sakhe. There are 63 houses to be built under Sukuma Sakhe project in our municipality. These houses will be built in 14 wards in the Nquthu municipality. For now the service provider is waiting for the Department of Human Settlements to appoint a Geotechnical Engineer before the project starts. We hope that all these projects will make difference in the life of poor people in our municipality.

3.6 Free basic service and indigent support

The municipality provides free basic electricity to indigent households within Ward 14 where the municipality supply electricity through its Technical Services department. An average of one thousand households is provided with 50kw/h of electricity through the free basic electricity programme.

COMPONENT B: ROAD TRANSPORT

3.7 Roads

The municipality is responsible only for access roads which are a part of its functions. The municipality, mostly through MIG funding, had constructed above 29.5kms of access roads as well as bridges before the end of the financial year to enable communities to travel safely and easily when they go to work, schools, shopping, etc.



Figure 3.7: *Swod turning for a new road at Nquthu Town*



FIGURE 3.7A: *Ubemba access road under construction (Ward 01)*

The municipality also attend to road maintenance in Nquthu town by fixing potholes and maintaining pavements as and when required. The detailed report on all access roads and bridges that were constructed is contained in the APR which forms part of this annual report.

3.8 Transport

The municipality is not a transport authority, however; the municipality maintains and cleans taxi ranks to ensure the safety of public transport users and enable public transport operators as well as street hawkers to do their business under conducive conditions. The municipality, maintain taxi rank infrastructure, toilets, water provision, and shelters.

The municipality also began construction for vehicle testing ground to allow local vehicle owners to obtain their certificate of roadworthy certificates for their cars at this local facility which was 81% complete before the end of the financial year. This kind of development has many positive spinoffs in the long run as it may result in more revenue for the municipality and job creation when in operation.

The municipality also attend to street cleaning and street maintenance within Nquthu town and also ensure compliance with traffic laws through its traffic department.

3.9 Storm water construction

Storm water can be a serious hazard to residents, cars, homes, buildings and even soil erosion; especially during heavy rains. The municipality constructed 4.7kms of storm water at Ezinkondlwaneni which was 88% complete before the end of the financial year. Nquthu town also benefitted from storm water construction as the storm water project(s) in Nquthu town were 81% complete before the end of the financial year under review. And in addition to storm water construction, the municipality does maintain/clean these storm water structures to ensure that they serve their intended purpose effectively.



FIGURE 3.9: *Ezinkondlwaneni stormwater and pedestrian causeway*

COMPONENT C: PLANNING AND DEVELOPMENT

3.10 Planning

Planning is one of the most critical functions of the municipality so that development follows a prescribed path that seeks to ensure compliance with development laws especially with regard to disaster management, traffic management, infrastructure provision and community safety. The municipality's planning function is divided between two departments, namely; the Office of the Municipal Manager which deals with Integrated Development Planning (IDP) and the Department of Planning, LED, Housing and Tourism which deals with town planning, local economic development, tourism and housing.

Performance highlights for integrated development planning:

- The IDP/PMS Manager and IDP/PMS Officer were appointed on a full time basis on 01 December 2017 and the section is now fully staffed with permanent personnel;
- The municipality held a successful strategic planning workshop as part of IDP preparation process;
- Draft IDP was approved on time and duly submitted to COGTA and made public for comments;
- The 2018/19 final IDP was duly adopted before the end of the financial year, and
- Public consultations were duly conducted on the draft IDP document which is regarded as a very important aspect of development planning. Challenges:
- Inadequate communication with sector departments due to poorly functioning IDP Stakeholder Representative Forum, and
- Inadequate communication and information sharing between different section of the municipality and the IDP section.

Measures taken to improve performance

- Properly constituted and functional IDP Steering Committee to ensure proper coordination and communication between different departments, and
- Holding middle management IDP workshops to ensure proper coordination and information sharing.

Performance highlights for town planning section

- Filled the post of a town planner to ensure a functional town planning office;
- The municipality reviewed and adopted the Spatial Development Framework as per the requirement of section 12 of the Spatial Planning and Land Use Management Act, (No 16 of 2013);
- Resumed the finalization of the single land use scheme as per the requirement of section 24 of the Spatial Planning and Land Use Management Act, (No 16 of 2013);
- Surveyed Ekubuseni in Nondweni for the provision of space for different services and electrification;
- Preparation of the SPLUMA application for the formalization of erf 100 Nquthu Master Plan;

- The development application are being processed within the time frames stipulated in the SPLUMA by-laws .

Challenges

- There are land invasions by the chiefs within erf 100 and Nondweni
- There are land disputes within erf 100 and Nondweni
- The formalization within erf 100 and Nondweni have been stagnant due to these challenges.

Measures taken to improve performance

- The municipality has removed the pockets of land that are still under dispute in the master plan to allow the project to continue, and
- The municipality will formalize Nondweni as per the needs of the community and available land. The municipality is about to survey all the business sites in Nondweni.

3.11 Local economic development

(a) Subcontracting programme

The LED section in its initiative to develop Small Medium Micro Enterprises within Nquthu Municipality established a Subcontracting Program. The Program is aimed at growing these businesses through Subcontracting on Municipal Big Projects. The Municipality, through the LED Section, facilitates the process of linking appointed main contractors with potential Local Subcontractors. Currently Nquthu Municipality have managed to assist 8 local SMME's in the construction sector:

Name of the project	Name of Subcontractor	Status of the project
1. Savuye Gravel Road	1.Gonizwe (PTY) LTD 2.Tibello Contracting	Project is finished and handed to Technical Department to be handed to the Community on the 6th of August 2018.
2. Nquthu Southern Road	1.Mazwai Construction 2.Zimedu Trading 3.Monzamnyama Construction	The progress is good and the subcontractor is currently busy with Gabions and the other 2 Subcontractors will commence once the underground work is finished project completion date will be December 2018
3.Ubemba Gravel Road	1.Mgedwana Trading 2.Kwandeni Construction	The progress is good, Subcontractors were appointed in June 2018 and they are currently busy with the V-drains, stone pitching, gabions and headwalls.

4.Ekudukeni Gravel Road	1. Amaphozi (PTY) LTD	The progress is good, Subcontractor was appointed inJune and is currently busy on site.
5.Mafihleng Community Hall	Awaiting BOQ from Main contractor	Awaiting BOQ from Main contractor
6.Eziqhazeni Community Hall	Awaiting BOQ from Main contractor	Awaiting BOQ from Main contractor
7.Nhloya Bridge	Awaiting appointment letter from main contractor	Awaiting appointment letter from main contractor

(b) Basic business management skills for SMMEs

Small businesses have been extremely affected by factors contributing growth failures, market barriers, access to skills development in the business environment, we conduct trainings with aims to contribute towards the development of entrepreneurial activities as an alternative source of incomes, and we also assist in Registering Cooperatives through CIPC and Central Suppliers Database and also register them to Mzinyathi District Database.

Support to street vendors

All market stalls which are the facilities that street vendors use to conduct their business were inspected to determine maintenance work that need to be done to make them in a state that is suitable for conducting business. This inspection revealed the following:

- All Market stalls were inspected on the 19 of March 2018 and 81 houses needs major improvements;
- Fifty one (51) stalls needs new doors and new handles and 30 rooms' needs improvements;
- Five (5) Taps needs to be fixed and installed against the wall and the Drain needs to be unblocked;
- The new water reticulation must be installed to all the houses at the Plaza;
- The new line of Drainage system must be installed and it must be 160 mm supply, and
- Jojo tanks (4) must be supplied in order to support when there is no water supply at the toilets and at the stalls- o 2 Tanks for the toilets at the old Market stalls o 1 Tank to be placed around the market stalls 1Tank for the toilets at the Market stalls (Plaza)

COMPONENT D: COMMUNITY SERVICES

3.12 Community facilities

3.12.1 Library services

Libraries are very important community service centres aimed at servicing the communities with a vast range of their information needs. Municipal libraries are co-funded by Department of Arts and Culture which complement in-house funding. Nquthu LM has two main libraries, namely Nquthu Public Library that is in Nquthu Township (ward 14) and Nondweni Public Library in Ward 6. Due to vastness of our Municipal wards, 06 centres were identifies in order to house books and other reading material and six volunteers were employed to run the service.The centres are at Isandlwana Tribal court, Mhlungwane community hall, Ntanyandlovu Primary school, Kwa-Nyezi Primary school, Msimbu secondary school and S'celimfundo combined school.

Currently we are in a process of opening a modular library in ward 17 (Ngolokodo area) which will provide all the services as the main libraries. A library has been build and electrified, furniture is already at Nquthu library and the staff will be recruited in April 2018. Another modular library will be constructed in ward 8 (Patsoana area) in 2018/19 financial year.

Among other services and activities, our libraries provides the following:

Study area with furniture: learners & students are provided with quiet space and furniture conducive for studying.

- **Free Computer & internet access:** library users are offered an opportunity to book computers to type their activities / correspondences. They also are provided with computers with internet to search for themselves whatever they need.
- **Free basic computer training:** our libraries are also assisting the communities on how to use computer & search on the internet. This is done through classes that are conducted for 3 weeks. Once they are competent, certificates of attendance are issued for them to prove that they can use computers. They produce these certificates when proving that they can use computers when applying for work.
- **Wide range of books:** Our libraries provide books on different subjects and genre. We provide non-fictions (books on learning areas) and fictions (books on stories / leisure). These books are free circulating to members for 14 days except reference books and study guides. We only charges members for late returns of material (overdue) and if they lost our material or requesting to replace membership cards.
- **Newspapers & Magazines:** we subscribes to number of newspapers (local &national) for community to use them for their interests. Magazines are also being provided for community utilization.
- **Discussion / meeting space:** our libraries have group activities rooms for members of community to use for their gatherings and library related activities.
- **Scanning & emailing:** we provide free scanning facilities for the public to scan their documents. Communities have access to email their documents using our equipment.

- **CAO Forms & application:** we ensure to avail CAO forms for learners to apply for access to tertiary institutions. In addition, we assist them when applying online using library facilities.
- **Career guidance assistance:** we also assist learners in choosing their career paths. We also provide books on different careers for learners to make informed decisions.
- **Projects / assignments assistance:** we give assistance to learners and students with their projects and assignments. We also do Inter Library loans for more specific information when required. Inter library loans are loans that we do from other libraries outside the Provincial Library Services.
- **Library orientation:** we orientate new people / patrons on how to use our services and introduce them to the services that we provide. Schools usually make appointments for their learners to come and get orientated.
- **School Visits:** we also visit schools in promoting our library services and ensuring that learners understand what our library offers. We receive many invites from schools to come and encourage learners on the importance of education and reading in general.

3.12.2 Sports field

Sports is a very important aspect of community development, which is why the municipality is investing strongly in sports. As the financial year ended, one sports field was under construction and the plans and preparation to construct another one were under way as the financial year ended.

3.12.3 Halls

The municipality is committed to providing gathering facilities to enable residents to hosts events like weddings, parties, church services, arts/cultural events, etc. The municipality constructed eight (8) halls during this financial year. Of these halls, two (2) were completed and six (6) were still under construction when the financial year ended. (Insert pic)

3.13 Cemeteries

The municipality has dedicated a caretaker for Nondweni Cemetery to ensure proper maintenance for these important community facilities.

3.14 Social programmes

The municipality is committed to attending to all social issues affecting the people of Nquthu. During this financial year, the municipality embarked on a number of social responsibility activities aimed at making interventions during times and instances of distress. Of these programmes, the following interventions were made:

- A total of 122 learners were assisted with a registration fee to enable them register at institutions of higher learning, out of these learners, 9 of them were given full study bursaries worth R30 000 each;
- Food parcels, sponges and blankets were provided as part of assisting disaster victims, and
- A total of 190 needy learners were identified and provided with a full school uniform.

COMPONENT E: ENVIRONMENTAL PROTECTION

3.15 Pollution control

The municipality lacks the capacity perform the pollution control both in terms of prevention and enforcement. However, the municipality does take the matter of pollution control very seriously and through its recycling project the municipality contribute in collecting and selling waste that would otherwise be primary sources of pollution.

3.16 Biodiversity

Nquthu is very rich in terms of tourism due to its history and also its biodiversity, therefore; biodiversity is not only an environmental issue for the municipality, but is also an economic development issue because of the potential that tourism has in Nquthu.

The municipality has not yet specific programmes and projects dealing with matters of biodiversity, however; the municipality through its Spatial Development Framework has identified areas that need constant attention of the municipality so that all developmental programmes and projects are geared promote conservation.

COMPONENT F: SAFETY AND SECURITY

3.17 Police

Policing is the competency of SAPS; the municipality only conduct policing on the aspect of traffic management through its traffic unit. The traffic section of the municipality had four traffic law enforcers/officers and there were two vacancies.

The traffic department also constructed an Animal Pound to keep stray animals which causes chaos around Nquthu town and also held a successful multidisciplinary road block in which all law enforcement agencies within the district of Umzinyathi in a drive to fight crime. The traffic department also has a complementary working relationship with SAPS and support each other in fighting crime especially around Nquthu town.

3.18 Fire fighting

Firefighting is part of disaster management unit and the unit had 10 fire fighters and 4 vacancies. Despite dealing specifically with firefighting and the ability of this unit to respond rapidly to fire emergencies, this unit made a very big contribution in terms of vehicles and manpower during disaster strikes that never involved fire.

3.19 Disaster management

Nquthu is a disaster prone area especially with regard to lighting strikes and flooding. The municipality's disaster management unit work hand in hand with the district and provincial disaster management units to be always on an alert and ready mode should disaster strike and to implement prevention measures and is guided by the municipality's disaster management sector plan. Disaster management unit had 13 employees and 6 vacancies; 10 of these employees are fire-fighters.

As part of its disaster management functions, this unit made the following interventions:

- A total of 109 lighting conductors were installed in areas identified as being prone to lightning strikes to minimise the chances of further damage and loss of life;
- Conducting 40 schools and community awareness campaigns to educate them to understand disaster related matters better in order to mitigate its impact and ensure an informed response to disaster situations, and
- Disaster victims were provided with temporal shelter to allow them to rebuild their damaged homes.

COMPONENT G: SPORTS AND RECREATION

3.20 Sports and recreation

Nquthu LM is a municipality of talented people and who are very active in the field of sport and recreation. It is in the best interest of the municipality to support and participate in almost all sports and recreational activities.

Among others, the municipality successfully participated in the following activities:

- The municipality participated fully on annual SALGA games and transported and accommodated all qualifying teams and/or people to these games under the umbrella of Umzinyathi District Municipality during district qualification stages. All the necessary arrangements were made, including the provision of sports kits including apparel for all participants
- Golden games in which the elderly are involved in sports with an intention to promote healthy lifestyles and fitness among the elderly were also successfully organised.

Moreover, the ingoma, isicathamiya and horse racing that are held by the municipality on an annual basis were also organised and a huge success.

CHAPTER FOUR- ANNUAL PERFORMANCE REPORT

(Page to)

4.1 Introduction

Nquthu Local Municipality Annual Performance Report for 2017/18 financial year is compiled in terms of the legislative requirements of Chapter 6 of the Municipal Systems Act, (No 32 of 2000) and Chapter 12 for the Municipal Finance Management Act, (No 56 of 2003). The Municipal Systems Act prescribes the role of each sphere of government in the municipal performance reporting process.

4.2 Legislative requirements

Outlined in Section 40 of the Municipal Systems Act of 2000 (MSA), Municipalities must establish mechanisms to monitor and review its Performance Management System (PMS) so as to measure, monitor, review, evaluate and improve performance at organisational, departmental and employee levels. Section 34 of the MSA furthermore point out that the Integrated Development Plan (IDP) has to be reviewed on an annual basis, and that during the IDP review process the Key Performance Areas, Key Performance Indicators and Performance Targets be reviewed and this review will form the basis for the review of the Organisational Performance Management and Performance Contracts of Senior Managers.

The Municipal Planning and Performance Management Regulations (2001) stipulates that a "municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players", (Chapter 3, Section 7, Municipal Planning and Performance Management Regulations, 2001). Section 46 of the Municipal Systems Act (Act 32 of 2000), stipulates the following:-

Annual performance reports

46. (1) A municipality must prepare for each financial year a performance report reflecting-

(a) The performance of the municipality and of each external service provider during that financial year;

(b) A comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and (c) Measures taken to improve performance.

(2) An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act.

4.3 Purpose of the report

The main purpose of this report is to account to the citizens of Nquthu Municipality on progress made by the municipality in improving the lives of the community through service delivery. Furthermore, the report is a key performance report to the communities and other stakeholders in keeping with the principles of transparency and accountability of government to the citizens. It subscribes to the South African developmental nature of participatory democracy and cooperative governance and responds to the principles of the Constitution, Batho Pele, White Paper on Local Government, Municipal Systems Act and Municipal Finance Management Act.

4.4 Methodology

According to the provisions of the Municipal Systems Act, (No 32 of 2000), municipalities must monitor and measure the progress of their performance by preparing quarterly and midyear performance reports, as required in terms of Chapter 6 of the Municipal Systems Act on performance management system. These quarterly and mid-year reports make up the municipalities' annual performance reports as required in terms of Section 46 of the Municipal Systems Act, which are then submitted to the Auditor-General, together with the Annual Financial Statements, for auditing purposes. After the adoption of the audited performance report by the municipal council (a component of the Annual Report), it must then be submitted to the Department of C-operative Governance and Traditional Affairs, National and Provincial Treasury, Auditor General and relevant authorities.

4.5 Performance management processes

The municipality has a Performance Management Framework in place which sets out the process that must be followed by the organization in the formulation of performance criteria that the municipality should use in the establishment of performance management. To date the performance framework has been reviewed internally by the IDP / PMS Unit. The framework has been adopted by the Council with the final IDP review for 2018/19. The standard COGTA guidelines in conjunction with the framework has been used to execute the Performance matters within the municipality.

For the reporting system; the municipality held 4 Audit Committee Meetings where the Senior Management and AC Members discuss the way forward on the targets that are not met and

come up with new strategies that will enforce better delivery according to the performance plans that are signed at the beginning of the financial year.

The municipality reports as follows:

- Monthly operational reports are submitted to Portfolio Committees within 1 week after the end of a calendar month.
- Quarterly Departmental OPMS reports are being submitted to the Municipal Manager on a quarterly basis and then to Council for approval.
- When the OPMS reports are submitted to the Municipal Manager they are than submitted to Internal Audit for review as a requirement.
- Internal Audited Report goes to the Audit Committee as Nquthu Municipality has a fully functional Audit Committee which oversees all the municipal performance.
- The municipality than compile the Annual Performance Report based on the quarterly reports that were submitted throughout the financial year. The Annual Performance Report is than submitted to the Internal Audit and Audit Committee before it is submitted to the relevant stakeholders.

4.6 Annual performance report summary

In terms of the Section 46 of the Municipal Systems Act (No. 32 of 2000) as amended, requires a municipality to prepare an annual performance report for the year under review, which becomes a component of the Annual Report. For the 2017/18 financial year, the municipality had a total of One Hundred and Sixty Eight (148) key performance indicators, and they have been evaluated against the targets and the summary is indicated in the following page below:

NATIONAL KEY PERFORMANCE AREAS	TOTAL NUMBER OF THE KEY PERFORMANCE INDICATORS	TARGETS ACHIEVED	TARGETS PARTIALLY ACHIEVED	TARGETS NOT ACHIEVED
MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	23	18	03	02
BASIC SERVICES DELIVERY	32	10	11	11
LOCAL ECONOMIC DEVELOPMENT	10	09	01	0
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	46	32	14	0
MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT	23	22	01	0
CROSS CUTTING	15	15	0	0
TOTAL	148	106	30	13
STATUS IN PERCENTAGES	100%	71%	20%	9%

Table 8: Performance summary

From the above, 71% of the targets were achieved for the key performance indicators which are on the organisational scorecard, 20% were partially achieved and 9% were not achieved.

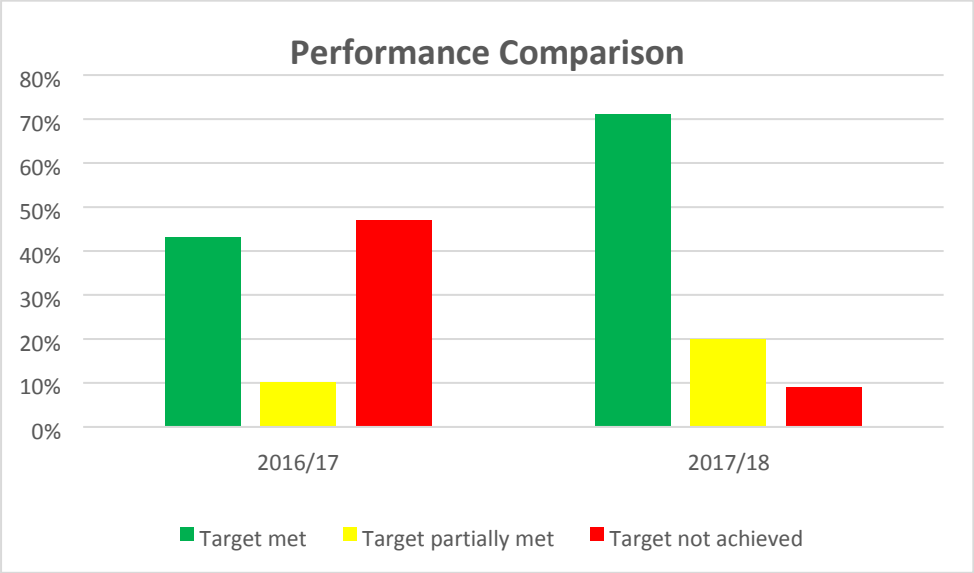


Figure 8: Performance comparison between 2016/17 and 2017/18

In the 2017/2018 financial year, the Nquthu Local Municipality proudly excelled in the areas of Municipal Transformation and Institutional Development; Financial Viability and Financial Management; Local Economic Development; Good Governance and Cross Cutting Interventions. However, there were challenges in achieving the targets relating to the basic service delivery and infrastructure development.

The traffic light system used to report performance is as follow:

- Green – Performance meets target.
- Amber – Performance within 5% of target.
- Red – performance more than 5% adverse of target.

In relation to the 2017/2018 year end performance results, the final position shows:

- 71% of measures have met or exceed the year-end target.
- 29% of measures improved performance compared to last year.

The performance results for the organizational priorities can be summarized as follows:

Traffic Light Status	2017/2018 Performance	2016/2017 Performance
Green – Met target	71%	43%
Amber – Missed target by up to 5%	20%	10%
Red – Missed Target by more than 5 %	9%	47%

4.7 ACTUAL PERFORMANCE

4.7.1 MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

Through the implementation of the Work Skills Plan the municipality has managed to spent 49% of the budget through trainings of municipal employees, councillors and ward committees. The WSP was submitted on the 19 April 2018 to LG Seta. The municipality has managed to submit the Employment Equity Report to the relevant department. Service Delivery Charter and Improvement Plan has been developed and approved by Council.

4.7.1.1 Performance Highlights for 2017/2018

The municipality made some strides in the following areas:

- Reviewed municipal organogram to properly align it to the institutional requirements of the municipality.
- Appointed Section 56 managers in all internal departments to enable them function properly.
- Began the implementation of Job Evaluation and also achieved the buy in of municipal employees.
- Successfully reviewed and adopted IT Strategy to ensure municipality's IT systems are up to date and credible.

4.7.1.2 Challenges

Despite all the progress made, there were challenges that still need to be addressed:

- Lack of effective communication within and between internal departments.
- Inadequate staff meetings to enable them to raise all concerns they may have.
- Poor implementation of the Municipality's Employment Equity Plan.
- Lack of cascading performance management to middle and all employees in order to ensure performance monitoring and evaluation at all levels.

4.7.1.3 Measures taken to improve performance

The following measures shall be taken to address current challenges:

- Improving internal communication by ensuring the seating of departmental meetings.
- The report on the plan to cascade performance management to lower levels will be tabled in December 2018 and OPMS Framework shall be reviewed before the end of 2018/19 financial year.

4.7.2 BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

Basic Service Delivery is the vital KPA as it deals directly with the delivery of services to the community. 2017/18 has improved compared to 2016/17. The department of technical services ensured that other municipal programmes are executed such as Expanded Public Works

Programme, Community Works Programme which ceased in December 2017. The municipality has a reviewed the Integrated Waste Management Plan and Infrastructure Investment Plan for implementation, which address the waste management and the strategy on how to attract and retain the investors within Nquthu area. The municipality has a pipeline programme of recycling the waste through environmental protection infrastructure programme.

4.7.2.1 Performance highlights for service delivery

Under basic services KPA; the municipality implemented a number of projects through MIG funding and in-house budget. The following are the projects that were implemented in 2017/18:

4.7.2.1.1 Roads

- 5km of surface road and storm water management was targeted and achieved.
- The municipality also completed the construction of access roads outlined in Table 8.2.1.1 below, however; Mantuli Road which is 50% complete due to the delays on Bid Specification Committee sittings and works ceased due to non-compliance with EIA. These projects have been rolled forward from the 2017/18 financial year.
- 2 low bridges were constructed during 2017/18 financial year.

No.	Road	Ward	Planned Target	Achieved as at 30 June 2018
1.	Ngolokodo Rd	17	2.3 km	2.3 km
2.	Hluleni Rd	13	2.4 km	2.4 km
3.	Mnqunyeni Rd	09	3.0 km	3.0 km
4.	Magogo Rd	03	2.1 km	2.1 km
5.	Savuye Rd Phase 01	03	3.4 km	3.4 km
6.	Savuye Rd Phase 02	03	2.1 km	0 km
7.	Langakazi Rd	09	3.5 km	3.5 km
8.	Mashanganeni Rd	02	2.7 km	2.7 km

9.	Nondweni Rd	06	4.5 km	4.5 km
10.	Ekudukeni Rd	17	0.8 km	0.8 km
11.	Ndatshana Rd	16	3.6 km	3.6 km
12.	Manzekhofi Rd	01	5.5 km	5.5 km
13.	Ntabenebomvu Rd	12	2.5 km	0 km
14.	Ubemba Rd Phase 01	01	1.6 km	0 km
15.	Ubemba Rd Phase 02	01	2.1 km	0 km
16.	Mantuli Rd Phase 01	08	4.5 km	0 km
17.	Nondweni Rd	06	4.5 km	4.5 km
18.	Pitso Rd	15	4.0 km	4.0 km
19.	Nomalanga Rd	02	2.5 km	2.5 km
20.	Nsekwini Rd	13	3.0 km	3.0 km
Total			**59,5 km**	**45.8 km**

Table 4.7.2.1.1: Roads

4.7.2.1.2 Community and Social Facilities

- Ten (10) halls were the 100% completed during 2017/18, some of which were actually started in previous financial year, namely: Machitshane, Ngwebini Maskhane, Luvisi, Manxili, Leneha, Vulamehlo, Ngedla, Ntanyadlovu, Zicole, and Gubazi Hall. Mabululwane Hall is 90% complete, Kwayise Hall is still at the design stage, The Services Providers for Mafihleng and Eziqhazeni Halls have been appointed and these projects will be finalised during 2018/19 financial year.
- Three sport facilities were the target for 2016/17 financial year. All were moved 2018/19 due to insufficient funds. (Mafihleng Sportsfield, Jama Horse Riding track & Springlake Sportsfield).
- Two creches were targeted in the 2017/18 financial year, Mpumelelweni and Magabeni crèche. They were all moved to 2018/19 financial year due to insufficient funds.

No.	Facility	Ward	Planned Target	Achieved Target as at 30 June 2018

1.	Machitshane Hall	09	01	01
2.	Mahlungulu Hall	09	01	01
3.	Ngwebini Hall	09	01	01
4.	Luvisi Hall	14	01	01
5.	Manxili Hall	01	01	01
6.	Leneha Hall	16	01	01
7.	Vulamehlo Hall	11	01	01
8.	Ngedla Hall	10	01	01
9.	Ntanyandlovu Hall	11	01	01
10.	Thelezini Hall	15	01	01
11.	Mabululwane Hall	08	01	0
12.	Zicole Hall	13	01	01
13.	Gubazi Hall	11	01	01
14.	Nkande Sports-field	17	01	01
15.	Kwayise Hall	02	01	0
16.	Upgrading of Nquthu Stadium	14	01	0
17.	Mafihleng Sports-field	13	01	0
18.	Mafihleng Hall	13	01	0
19.	Eziqhazeni Hall	15	01	0

Table 4.7.2.1.2: Community facilities

4.7.2.1.3 Electrification

The municipality planned 804 connections but achieved 903 connections, as a result exceeding its target by 99 connections. However, a far lesser connections could be recorded in this APR due to the fact that there is a lot of technical data detailing all the connections made that remains in the hands of consultants that managed these electrification projects on behalf of the municipality. This technical data is still pursued by the municipality and it will be correctly reported in the Annual Report as data that was omitted in this Annual Performance Report due to the unavailability of credible information at this stage. It should be noted that, while the municipality is of the view that it achieved 903 connections, it could not claim with certainty that such was

achieved without concrete and credible supporting documentation and, therefore; the 507 connections achieved is what the municipality currently has tangible evidence of due to lapses in technical data transfer from service providers to the municipality, which the municipality is correcting.

4.7.2.1.4 In-house projects

While the municipality is largely dependent on grant funding like MIG and INEP, it also uses funds from the equitable share portion as well as funds raised internally to finance some of the projects, the projects outlined below were funded in this manner:

- The contractor is on site for the installation of "Welcome To Nquthu Signs" and this projected will be finalised during 2018/19
- The extension of Municipal Council Chambers, construction of Fire Station Offices, and Vehicle Testing Ground Offices was moved to 2018/19 due to delays on BSC Committee sitting.
- Vehicle Testing Ground is 100% complete, except for its offices which are planned to be built in the 2018/19 financial year.

4.7.2.1.5 Challenges

There were some challenges that hindered the municipality in its efforts to deliver services and develop infrastructure to the people of Nquthu, which include the following:

- The position of Director Technical Services was vacant for the larger part of 2017/18 financial year, however; an appointment was made before the end of the financial year although the Director only commenced work in 01 July 2018.
- Climate change which results in unpredictable weather patterns and negatively affect proper planning for infrastructure projects in terms of implementation/construction timelines.
- Some of the critical municipal infrastructure like electricity is ageing and this results in losses that occurs during transmission.
- There is insufficient funding to address the service delivery and infrastructure backlog and to meet the high expectations of the people.
- Failure by service providers that are contracted by the municipality to provide technical data in time to allow the municipality to correctly capture and record the progress made.

4.7.2.1.6 Measures taken to improve performance

The following measures has been taken to improve performance:

- More bid committee members were appointed and trained to ensure that bid committees sit according to a planned schedule appointment of service providers on time.
- Director Technical Service was appointed at the end of the financial year.
- The municipality contract management has been strengthened especially as it relates to the transfer of technical data, which is in essence the property of the municipality, from service providers to the municipality.

4.7.3 SOCIAL AND LOCAL ECONOMIC DEVELOPMENT

In 2017/18 financial year the municipality performed relatively well in this KPA which is good considering the fact that economic development is one of the foremost priorities of government. In terms of LED/Tourism unit, 2017/18 achieved 98% in its planned targets such as, cultural events, art, culture and heritage events, support to local businesses, tourism programmes and poverty alleviation. Below are the highlights of what the municipality did in 2017/18 financial year.

4.7.3.1 Performance highlights

In the year under review, the following achievements are highlighted:

- Under Arts, heritage and Culture, Participation on UMkhosi WoMhlanga by the community was conducted successfully.
- An LED Practitioner was appointed to ensure effective implementation of all LED plans.
- There were several cultural events that were hosted in 2017/18 namely: Ingoma yoMama neziNtombi, Annual event which comprises of Ingoma, Traditional Horse Riding, Oswenka, Onobuhle and Isicathamiya, Sesotho Dance Competition
- SMME programmes were part of the LED/Tourism that were achieved by the municipality through trainings, workshops and development of the SMMEs and Co-operatives.
- The Sheep and Wool Project is aimed at capacitating and supporting emerging sheep farmers around Nquthu and respond to youth entrepreneurship. Overall progress is 100% completion for phase 1 and 2. Part of equipment have been delivered.
- 32 beneficiaries have obtained learners licences and currently 20 beneficiaries have obtained drivers licences through Drivers Licence Programme provided by the municipality.

Under the youth development the municipality assisted 109 students with university registration fees. In support of schools, the municipality assisted 170 pupils (17 schools, 1 school per ward) and school uniforms. The criteria used are as follows:

- All wards.

- 10 Learners per school (5 girls and 5 boys).
- Uniform- full uniform.
- Total= 170 learners for 2018.

The municipality is in partnership with Bornem Municipality (Belgium) where a number of activities are done in joint. The Bornem has funded the municipality in youth programmes; learn and play is one of the activities that are benefiting from this funding. Each year; the learn-andplay programme purchases the material kids. There are 34 volunteers who were benefiting from this programme as they are getting a monthly stipend of R1010.88.

4.7.3.2 Challenges

The performance of the municipality in this KPA is hindered by the following factors:

- Insufficient financial resources to implement all planned LED projects and programmes, especially in the area of agriculture and agro-processing.
- Lack of collective planning and integration with sector departments in executing the duties which are relevant to their functionality (i.e. Agriculture, Arts & Culture, EDTEA).
- Youth programmes are cross cutting with other departments and this becomes a challenge, as other internal departments are not well informed about programmes and/or plans of sector departments so that they can complement the programmes of the municipality.

4.7.3.3 Measures Taken to improve Performance

The following measures were taken to improve performance:

- Ongoing meetings with sector departments in regards to their plans and programmes, especially those targeting Nquthu.
- In regarding to cross cutting issue; the municipality will ensure proper communication with sector departments and other relevant stakeholders to enable proper integration and alignment of all programmes and also to avoid duplication
- Mobilize funding for anchor projects identified by the PGDP, especially in agriculture.

4.7.4 MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

The Municipal Financial Viability and Management KPA have kept its performance in matters of finance. The interns that were appointed are still in force, the systems that are annually maintained are still up to date as per the financial target.

4.7.4.1 Performance Highlights

Performance highlights for this KPA are as follows:

- The municipality have five (5) financial interns which greatly assist the process of skills transfer, working experience and also increase the human capital capacity of the finance department in terms of numbers.
- The bid committees are fully functional after more members were appointed and trained.
- The municipality have also established an MSCOA Steering Committee to fast track the implementation of MSCOA as a new organisational reform.
- The municipality's AFS for the 2016/17 financial year were compiled internally and received a favourable audit opinion.

4.7.4.2 Challenges

Despite good performance that has been achieved, the following challenges still need to be addressed as they are outlined below:

- Persistent electricity losses which result in both revenue loss to the municipality and also forces the municipality to subsidise these losses.
- High debtors due to high unemployment rate and indigents who are not registered.
- Lack of transfer of ownership of land limits revenue base.
- Non-payment for services by customers who have the ability to pay.
- MSCOA adaption and implementation.

4.7.4.3 Measures taken to improve performance

The following measures has been taken to improve performance:

- Fast-track the land disposal.
- The MSCOA steering committee was established to fast track the knowledge gaps and induction trainings were conducted.
- Conduct workshop for newly appointed staff on MSCOA Implementation.
- Enforcement of debt collection policies.

4.7.5 GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The performance in this Key Performance Area relies on the appropriate structures in place which include Council and other structures. The municipality has a fully functional oversight structures, no ward structures were in place and no such as Council, Executive Committee, MPAC to mention a few. The municipality conducts sod turning events and handover functions. The municipality was able to execute all programmes and targets as per Service Delivery Budget and Implementation Plan due to functional oversight structures. The municipality had an audit committee in place to oversee the finance, performance and compliance of the municipality.

4.7.5.1 Performance highlights

The following achievements are highlighted:

- Conducted extensive IDP and Budget public consultation exercise where by three (3) meetings were held in the majority of wards.
- Fully functional Ward Committees which resulted in the municipality scoring 100% in Ward Committee functionality assessment conducted by KZN COGTA.
- Functional and effective Rapid Response Team which is the municipality's committee that engages the community to address their grievances and also to prevent community unrest.
- Participated fully in eleven (11) codes of SALGA games, Indigenous Games, Golden Games and also successfully organised the Mayoral Cup, Nquthu Race and Horse Riding event.

4.7.5.2 Challenges

The following challenges were identified:

- Lack of sports facilities to enable the municipality to participate in all sports codes, i.e. tennis courts and ruby fields.
- Lack of sufficient public participation in the development of WBPs and lack of proper alignment between WBPs and the IDP.
- Insufficient understanding of performance management function by municipal department resulting in the development of unrealistic targets.

4.7.5.3 Measures taken to improve performance

The following measures are taken to improve performance:

- Assisting Ward Councillors and Ward Committees in the development of credible WBPs and ensure that the priorities of the IDP emanate from these plans.
- Conduct a performance management workshop for all section heads and also introduce an electronic based performance management system in the third quarter of 2018/19.

4.7.6 CROSS-CUTTING INTERVENTIONS

In terms of disaster management, the municipality has an effective response team when the disaster strikes. This had a good impact in assisting people who are in need during the hard times. The municipality also undertook the community and schools awareness campaigns that informed the community about the disaster. In terms of spatial planning the Nondweni formalisation project is on hold due to the land dispute between the municipality and the Traditional Leader. On the 29th of June 2018 the municipality have adopted the Spatial Development Framework which set out the basic framework for the development of land use management system, capital investment, analyse and clarify the implementation of the sector plans of the municipality.

4.7.6.1 Performance highlights

- Nquthu municipality executed 24 schools and community awareness campaigns to capacitate the community about how to respond to disaster situations.
- The disaster unit implemented the project of disaster prevention and mitigation through the installation of 244 lightning.
- The disaster response has been taken to consideration by the municipality. Nquthu area is a rural area which is usually affected by natural disasters (heavy storms and veld fire) thus the municipality established the disaster response.

4.7.6.2 Challenges

- Limited resources to address extensive issues of disaster.
- Geographical isolation.
- Lack of cooperation among stakeholders.
- Socio-economic and political conflict.

4.7.6.3 Measures taken to improve performance

- Encourage cooperation among stakeholders to host meetings consecutively.

- Make budget provision for resources.

4.8 Performance and supporting information

The municipal scorecard Appendix 1 approach unpacks the 6 Key Performance Area's and the municipal targets as well as achievements of the municipality. The municipality implementation the programmes that we planned and executed. The comparison has been done so as to identify the loopholes between the two years and this will assist in rectifying the issue in the present financial year. The municipal scorecard imitates the budget that was allocated for each programme as part of service delivery.

Nquthu IDP contains priorities and these priorities are cascaded to performance management and are measured by the progress made with the timeframes allocated. The priorities are agreed upon by the Municipal Council during the Strategic Planning Session and are measured by the quarterly reports of which are reviewed quarterly in the Council meetings.

The Annual Performance Report for the 2017/2018 financial year has been completed and reflected in the Organisational Performance Scorecard in a table format (as prescribed by KZN COGTA).

4.9 Key areas to note

4.9.1 Improving performance

Performance is a major role that the municipality must champion to achieve the Clean Audit. It is envisaged that the municipality must avoid working in silos so as to avoid the duplication of information and programmes and to avoid the Audit opinion that is not satisfactory. This has been improved as all departments take responsibility in providing all needed information on time in compilation of all important documents. But still there are loopholes needed to be addressed so as to convene a professional mandate of achieving one goal and one vision of the municipality which is looking at championing of sustainable Local Economy and Community Development through good governance.

- The municipality must ensure that all planned targets are achieved within the timeframe set out on the municipal scorecard so as to improve the municipal performance.

4.10 Lessons Learnt and Way Forward

The municipal internal departments must keep the good work of working together for better alignment which will avoid the duplication of programmes as this is the most occurring challenge.

All internal departments should interact with one another for the better delivery to the community. The way forward is to set out the schedule where the municipal staff will engage each other consecutively and discuss the progress made regarding with the municipal vision, targets and objectives. By doing this the municipality will enrich its standard in service delivery to the community.

4.11 Conclusion

The Annual Performance Report have been developed in compliance with applicable legislations and regulations (i.e. Section 46 of the Municipal Structures Act, No. 32 of 2000). The objectives in the report reflects the IDP objectives adopted by the Council. Umzinyathi District Municipality is responsible for water and sanitation within Nquthu jurisdiction as per Municipal systems Act 2000, which stipulates the powers and functions of the municipalities.

ANNEXURES:

1. **2017/2018 Annual Performance Report Scorecard.**
2. **Assessment of Service Providers Contracted to the Municipality**

2017/2018 ANNUAL PERFORMANCE REPORT SCORECARD (Annexure 01)

OBJECTIVE	STRATEGIES	No.	INDICATORS	COMPARISON WITH PREVIOUS YEAR				STATUS [achieved/ Not achieved]	PORTFOLIO OF EVIDENCE	REASONS FOR VARIENCES	CORRECTIVE MEASURE
				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
		2.13	% of budget spent implementing WSP	n/a	n/a	100% (R600,000)	49%	Partially Achieved	Budget printout, list of approved trainings, 4th quarter Annual Training Report submitted to LGSETA		
To ascertain the rate of confidence in the municipality's ability to provide basic services	Development of service delivery improvement plan	3.1	Date of adopted service delivery improvement plan	n/a	n/a	30-Jun-18	29-Jun-18	Achieved	Assessment questionnaire, Customer Services Report, action plan for improvement		
	Development of service delivery charter	3.2	Date of adopted service delivery charter	n/a	n/a	30-Jun-18	29-Jun-18	Achieved			
	Implementation of the Complaint Management System by ensuring 100% complaints responded to within 14 days turnaround time	3.3	% complaints responded to within 14 days turnaround time	100% within 14 days	100% within 14 days	100% within 14 days	100% within 14 days	Achieved	Complaints Register, acknowledgement letters, response letters	No complaints were received during Quarter 4	The municipality attends to complains submitted via provincial hotline. The municipality will begin to include complains received from the office of the Speaker beginning of 2018/19 financial year

OBJECTIVE	STRATEGIES	No.	INDICATORS	COMPARISON WITH PREVIOUS YEAR				STATUS [achieved/ Not achieved]	PORTFOLIO OF EVIDENCE	REASONS FOR VARIENCES	CORRECTIVE MEASURE
				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
Ensure compliance with regulations	Preparation and submission of the Annual Performance report to AG and relevant authorities by 31 August 2017	4.1	Date of annual performance report prepared and submitted to AG and relative authorities by 31 August 2017	31-Aug-16	31-Aug-16	31-Aug-17	31-Aug-17	Achieved	Acknowledgement receipt from AG		
	Preparation and submission of the Draft Annual Report to Council by January 2018 and Final Annual Report to Council by 31 March 2018.	4.2	Date of Draft and Final Annual Report prepared and submitted to Council	n/a	n/a	30 January 2018 and 30 March 2018	25 January 2018 and 27 March 2018	Achieved	Council Resolution		
	Preparation and submission of the draft Municipal Annual report to Municipal Public Accounts Committee.	4.3	Date of Draft Annual Report prepared and submitted to MPAC	n/a	n/a	30-Mar-18	26-Mar-18	Achieved	Copy of the draft oversight report. MPAC minutes.		
	Preparation and placement of the 2016/17 Municipal Annual report for Public comments	4.5	Number of notices placed for comments on Annual Report	1	1	1	1	Achieved	Copy of the actual notice		
	Preparation of Draft 2018/19 IDP and Budget by conducting public consultation meetings	4.6	Number of public consultation meetings convened	n/a	n/a	2	17	Achieved	Public consultation minutes and attendance registers.	Public consultation was conducted in all 17 wards	
To enhance and ensure the effectiveness the Information Communicati	Review and adoption of the I.T Strategy	5.1	Date reviewed I.T Strategy adopted	n/a	n/a	30-Jun-18	27 June 2018	Partially Achieved	Reviewed adopted I.T strategy, Council Minutes	IT Strategy was tabled to IT Steering Committee on the 27 June 2018	The IT Strategy will be tabled to the next Portfolio Committee during

OBJECTIVE	STRATEGIES	No.	INDICATORS	COMPARISON WITH PREVIOUS YEAR				STATUS [achieved/ Not achieved]	PORTFOLIO OF EVIDENCE	REASONS FOR VARIENCES	CORRECTIVE MEASURE
				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
on Technology (ICT) Systems											2018/19
Improved Access to Basic Services and Infrastructure Development											
To improve access to electricity services	Provision of electricity in urban areas	6.1	Number of households with access to electricity (municipal licensed area)			1543	1485	Partially Achieved	Billing Report, disconnection and new connection list	50kw/h is allocated to each beneficiary when electricity is purchased for the first time in a month.	
			Electricity connections into Nquthu low cost housing Phase 2 (ward14)			400	0	Not Achieved	Completion certificate.	The project was delayed due to insufficient funding but all processes commenced in 2017/18.	Funding has been sourced and the service provider has been appointed and has begun the work. Evidence is attached.
			Test and replace rotten wooden HT poles 20m x 650mm			400	0	Not Achieved	Completion certificate.	The project was advertised and cancelled due to inadequate specifications.	The project has been re-advertised as part of Nquthu Town Infrastructure Network project.

OBJECTIVE	STRATEGIES	No.	INDICATORS	COMPARISON WITH PREVIOUS YEAR				STATUS [achieved/ Not achieved]	PORTFOLIO OF EVIDENCE	REASONS FOR VARIENCES	CORRECTIVE MEASURE
				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
			Change of 95mm XPLE cable x 500m			100m		Not Achieved	Completion certificate.	This project was also delayed for purposes of incorporating it into Nquthu Town Infrastructure Network.	It has been advertised under Nquthu Town Infrastructure Network.
			Installation of solar street lights (ward 14)			250	0	Not Achieved	Completion certificate.	This project was cancelled due to insufficient funding from INEP.	It was erroneously missed when cancelled projects were removed in the 2017/18 mid-year review.
		6.2	% of new electricity connections responded to within 14 days turnaround time (municipal licensed area)	100% within 14 days	100% within 14 days	100% within 14 days	100% within 14 days	Achieved	Application form		
	Provision of basic electricity in rural areas	6.3	Completed electricity connection in (ward 13) Ndindindi	n/a	n/a	265	265	Achieved	Practical completion certification, close out report, beneficiary list and progress reports (Nomathinta Phase2 project file).	The target was actually exceeded as part of Nomathinta Phase2 but the incorrect naming and changes in ward boundaries results in lesser connections shown.	Correctly naming all the projects as Nomathinta Phase2 because all the connections fall under that project.
		6.4	Completed electricity connection in (ward 07) Magabeni	n/a	n/a	202	192	Achieved			
		6.5	Completed electricity connection in (ward 9) Mbewunye	n/a	n/a	53	52	Achieved			

OBJECTIVE	STRATEGIES	No.	INDICATORS	COMPARISON WITH PREVIOUS YEAR				STATUS [achieved/ Not achieved]	PORTFOLIO OF EVIDENCE	REASONS FOR VARIENCES	CORRECTIVE MEASURE
				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
		6.6	Completed electricity connection in (ward 9) Mfongomfongo	n/a	n/a	52	12	Partially Achieved			
		6.7	Completed electricity connection in (ward 13) Mangwebuthana ni	n/a	n/a	232	251	Achieved			
		6.11	Number of Repair of sub-station roof	n/a	n/a	1	1	Achieved	Completion certificate.		
	Provision of free basic electricity	6.12	Number (and percentage) of existing households with access to free basic electricity	n/a	n/a	2682	2682	Achieved	Indigent Register, Contour report		
Access to Basic services	Improve access to electricity	7.1	Number of new consumers with access to electricity	500	59	50	57	Achieved	Schedule of new meters registered on the prepaid system.	The target was based on the average number of normal applications.	
	The percentage of households earning less than R1100 per month with access to basic free services.	7.2	% of households with access to basic free service	n/a	n/a	100%	0%	Partially Achieved		The 0% is not a reflection of actual non-achievement but reflect the fact that the indicator and target are not smart and cannot be practically measured.	Waste removal and free basic electricity are accounted for as individual indicators. Going forward this indicator shall be reviewed so that it can be

OBJECTIVE	STRATEGIES	No.	INDICATORS	COMPARISON WITH PREVIOUS YEAR				STATUS [achieved/ Not achieved]	PORTFOLIO OF EVIDENCE	REASONS FOR VARIENCES	CORRECTIVE MEASURE
				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
											measurable.
	The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal.	7.3	% of household with access to basic level of water, sanitation, electricity and solid waste removal.	n/a	n/a	100%	0%	Partially Achieved		The 0% is not a reflection of actual non-achievement but reflect the fact that the indicator and target are not smart and cannot be practically measured.	Waste removal and free basic electricity are accounted for as individual indicators. Going forward this indicator shall be reviewed so that it can be measurable.
			Number of new consumer units with access to refuse removal.			500	0	Not Achieved	New consumers report		
		7.4	Number of households with access to waste removal	3228	3175	3228	2455	Partially Achieved	Rate Tariff Consumption report	Waste removal is Ongoing	
			Number of businesses with daily access to solid waste removal			161	119	Partially Achieved	Billing report	The target of 161 also include informal traders which pay for municipality owned stalls, their rent is inclusive of waste removal fees since they	In future informal traders shall be treated as general clients since their businesses are informal.

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				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
										are also allocated skip bins.	
			Number of new public facilities to be constructed.			2	0	Not Achieved	Appointment letters	There was a delay on the appointment of contractors but appointments were made before the end of the financial year.	Construction has commenced.
			Number of community halls and social facilities to be constructed by 30 June 2018			19	15	Partially Achieved	Completion certificates and progress reports.	Some halls were still in progress as at 30 June 2018 and Nquthu Stadium was put on hold due to insufficient funding. Full details are captured in the narrative section of the APR.	Unfinished projects to be reprioritized when funding is available.
		8.3	Number of completed Welcome to Nquthu signs	n/a	n/a	2	0	Partially Achieved	Progress Reports and Practical Completion Certificate	There were delays on BID Committee	Contractor has been appointed and on site establishment stage

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				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
		8.4	Extension of municipal offices Inc. ext. of Council Chamber- Ward 14	n/a	n/a	1	0	Not Achieved	Progress Reports and Practical Completion Certificate	There were delays on BSC Committee sitting	Construction will begin during 2018/19
		8.5	Completion of Renovating Stores Offices	n/a	n/a	1	1	Achieved	Progress Reports and Practical Completion Certificate		
		8.6	Percentage of completion of Fire Station Offices	n/a	n/a	1	0	Not Achieved	Progress Reports.	There were delays on BSC Committee sitting and currently the project is on the awarding stage	The project to be completed during the next financial year
		8.7	Number of testing ground offices completed	n/a	n/a	1	0	Not Achieved	Progress Reports	There were delays on BSC Committee sitting	The project to be completed during the next financial year
			Number of kilometers of access roads constructed.			60.5km	49.4km	Partially Achieved	Completion certificates and progress reports.	Some roads were not completed but are work in progress. A detailed explanation of the APR.	All unfinished projects shall be reprioritized subject to the availability of funds and other factors like environmental issues.
		8.8	Number of vehicle testing station completed	n/a	n/a	1	1	Achieved	Practical completion certificate		

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				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
		8.1	Kilometers of surface road and storm water management	4.7km	0km	5km	5km	Achieved	Progress Reports and Practical Completion Certificate		Progress report attached
		8.11	Kilometers of new roads to be constructed	n/a	n/a	1km	0km	Not Achieved	Progress Reports and Practical Completion Certificate	Process cancelled – DLV to commence with designs as there were appointed for all Nquthu street	service provider appointed for all Nquthu Streets to carry on with the project
		8.12	Number of low lying bridges constructed	n/a	n/a	2	2	Achieved	Progress Reports and Practical Completion Certificate		
		8.13	Number of m² of patches and potholes repaired (Urban area)	n/a	n/a	350m²	252m²	Partially Achieved	Before and after photographs, progress Reports.	Bad weather condition is challenge	Road Marking have been completed
Local Economic Development											
Facilitate the implementation of better human settlements by 30 June 2018	Conducting the Housing Survey	9	Number of progress report submitted	n/a	n/a	4	4	Achieved	Progress Reports	On 6 June 2018, the service provider presented the final draft to the committee, and is busy with amendments for the final draft to be presented and tabled to	

OBJECTIVE	STRATEGIES	No.	INDICATORS	COMPARISON WITH PREVIOUS YEAR				STATUS [achieved/ Not achieved]	PORTFOLIO OF EVIDENCE	REASONS FOR VARIENCES	CORRECTIVE MEASURE
				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
										the Council for approval.	
To create an environment conducive to economic growth and development	Job creation through EPWP and capital projects	9.1	Number of jobs created through EPWP	n/a	n/a	170	170	Achieved	EPWP Quarterly Reports and beneficiary list	The contract for EPWP ended in December 2017[Quarter 2]	The project will continue during 2018/19
	Provide support to local businesses	9.2	Number of SMME's & Cooperatives Supported	n/a	n/a	68	68	Achieved	Training attendance registers	81 market stalls or small businesses are monitored and findings are being addressed.3 SMME's Trainings conducted	Specified findings are being addressed going forward
To promote community based tourism	To undertake a cultural event so as to promote traditional culture by 30 September 2017	10.1	Initiative taken for Siyaya Emkhosini Womhlanga	1	1	1	1	Achieved	Close out Reports		
		10.2	Initiative taken to Umkhosi Womhlanga	1	1	1	1	Achieved	Close out Reports		

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				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
	To participate Art, Culture and Heritage events by 30 June 2018	10.3	Number of events hosted	5	2	4	4	Achieved	Events Reports	Maskandi, poetry and drama festival was cancelled due to lack of funds on the vote	Maskandi, poetry and drama festival was cancelled due to lack of funds on the vote
	To execute Tourism Programmes by 30 June 2018	10.4	Number of Progrmmes executed by 30 June 2018	2	1	2	2	Achieved	Monthly Reports		
To promote sustainable economic development	Implement poverty alleviation programs by supporting 34 beneficiaries	11.1	Number of beneficiaries for Alleviation Program	n/a	n/a	34	20	Partially Achieved	Quarterly reports		
	Support local emerging farmers	11.2	Percentage of completion of Sheep and Wool project constructed	n/a	n/a	100%	100%	Achieved	Quarterly report		
	Provide and Support 34 selected beneficiaries with drivers licences	11.3	Number of beneficiaries for Drivers Licence	n/a	n/a	34	52	Achieved	Quarterly report		
Good Governance, Community Participation and Ward Committee System											
To promote social cohesion and address the needs of vulnerable groups	Implementation of the Special Programmes Plan	12.2	% special programmes plan implemented	n/a	n/a	100%	100%	Achieved	Signed Quarterly Special programmes implementation Report		

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				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
To ensure effective public engagement and participation in municipal affairs	Review the community participation plan	13.1	Date Community Participation Plan reviewed	n/a	n/a	30 Sep 2017	26-Sep-17	Achieved	Adopted community participation plan, Council resolution	Annual Schedule for community and ward committee meeting was submitted to Council	
	Implementation of the community participation plan	13.2	% community participation plan implemented	n/a	n/a	100%	100%	Achieved	Signed Quarterly Community Participation implementation report, Council resolution	Community meetings sits as per annual plan	Community Meeting and Ward Committee Meeting are being held on a monthly basis
	Monitor and manage the functionality of ward committees	13.3	% wards functional	n/a	n/a	100%	100%	Achieved	Quarterly functionality report, Council minutes		
To establish ward committes	To elect the ward committees	14.1	number of reports submitted to Council	n/a	n/a	1	1	Achieved	Report submission		
	to promote service delivery through public participation	14.2	Number of report submitted monthly	n/a	n/a	204	194	Partially Achieved	Report submission	Some wards did not submit their reports	Follow up with ward Councillors will be undertaken
To provide Indigent Support	To provide supprot to indegent families	15.1	% of Indigents Supported	n/a	n/a	100% Based on indigent register	100%	Achieved	indigent register	Indigents families are only provided with free basic electricity	
To improve the Municipal Audit outcome,	Approval of the Internal Audit Plan	16.1	Date internal audit plan approved	n/a	n/a	30-Sep-17	26-Sep-17	Achieved	Internal Audit Plan and Audit Committee minutes		

OBJECTIVE	STRATEGIES	No.	INDICATORS	COMPARISON WITH PREVIOUS YEAR				STATUS [achieved/ Not achieved]	PORTFOLIO OF EVIDENCE	REASONS FOR VARIENCES	CORRECTIVE MEASURE
				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
Corporate Governance and Accountability	Implementation of the Internal Audit Plan	16.2	% Internal Audit Plan implemented	n/a	n/a	100%	100%	Achieved	Quarterly Internal Audit report, Audit Committee minutes		
	Development of the 2016/2017 AG Action Plan	16.3	Date of AG Action Plan submitted to Council for approval	n/a	n/a	25 January 2018	25-Jan-18	Achieved	AG Action Plan, Audit committee minutes, Council minutes		
	Implementation of the 2016/2017 AG's Action Plan	16.4	% of AG queries resolved	n/a	n/a	100%	85%	Partially Achieved	Quarterly progress report	SIPDM has not been approved by Council and performance agreements has not been developed for lower level staff	The two unresolved queries will be resolved during the next financial year
	Submission of Section 52 reports to Council	16.5	Number of Section 52 Reports submitted to Council	4	4	4	4	Achieved	Minutes, AC Reports and attendance register		
	Ensuring that Audit Committee meetings sits on quarterly basis	16.6	Number of Audit committee meetings convened	4	4	4	3	Achieved	Minutes and attendance registers		
To ensure public participation in local governance (municipal affairs)	Effective Communication with communities	17.1	Number of Mayoral talk shows held	4	0	4	4	Achieved	Report		
		17.2	Number of quarterly newsletters published	4	0	4	4	Achieved	copy of actual newsletter		
	To conduct and plan municipal events (sod turning)	17.3	Number of sod turning events hosted	16	0	18	16	Achieved	Attendance registers.		

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				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
To ensure that Council is Functioning Effectively and Efficiently	Functional oversight structures	18.1	Number of Council Meetings Convened	4	3	4	14	Achieved	Notice of meeting, Council Minutes and attendance register		
		18.2	Number of EXCO Meetings Convened	12	0	12	11	Partially Achieved	Notice of meeting,EXCO minutes, and attendance register	No items were submitted for 1 outstanding meeting	Ensure that items are submitted on time
		18.3	Number of MPAC Meetings convened	n/a	n/a	4	6	Achieved	Notice of meeting, MPAC minutes, and attendance register	Target exceeded	
		18.4	Number of Local Labour Forum Meetings convened	n/a	n/a	12	3	Partially Achieved	Notice of meeting, minutes, and attendance register	No items were submitted for the outstanding meetings	Meetings will be conducted on quarterly basis during the following financial year
		18.5	Number of Planning, and housing Services Portfolio Committee meetings convened	n/a	n/a	12	7	Partially Achieved	Notice of meeting, minutes, and attendance register	No items were submitted for outstanding meetings	
		18.6	Number of Corporate Service Portfolio Committee meetings convened	n/a	n/a	12	6	Partially Achieved	Notice of meeting, minutes, and attendance register	No items were submitted for outstanding meetings	
		18.7	Number of Technical Services Portfolio Committee meetings	n/a	n/a	12	7	Partially Achieved	Notice of meeting, minutes, and attendance register	Lack of Forum	

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				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
			convened								
		18.8	Number of Finance Services Portfolio Committee meetings convened	n/a	n/a	12	8	Partially Achieved	Notice of meeting, minutes, and attendance register	Lack of Forum	
To ensure an effective fleet management system	Review of the Fleet Management Policy	19.1	Date Fleet Management Policy reviewed	n/a	n/a	30-Jun-18	on draft stage	Partially Achieved	Reviewed Fleet management policy, Council resolution	Fleet management policy and procedure manual on a draft stage waiting for inputs and comments from HODs	
	Development of a Fleet Management procedure manual	19.2	Date Fleet Management Procedure Manual adopted	n/a	n/a	30-Jun-18	on draft stage	Partially Achieved	Adopted Fleet Management Procedure Manual, Council resolution		
To comply with KwaZulu Natal Archives Act	Filing system developed	20.1	Date of approval of developed filling system	n/a	n/a	30 June 2018	29 June 2018	Achieved	Developed and maintained filing system		
	Schedule for Other records developed	20.2	Date of approval developed a the schedule for other records	n/a	n/a	30 June 2018	29 June 2018	Achieved	Developed and maintained Scheduled for other records		
	Systematic Disposal Programme developed	20.3	Date of approval of established systematic disposal programme	n/a	n/a	30 June 2018	29 June 2018	Achieved	Systematic disposal programed reports		

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				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
To establish an effective and functional risk management unit	Conducting effective risk assessments	21.1	Number of Risk assessments conducted	4	3	3	3	Achieved	Risk register, attendance register		
	Provide regular reports for the implementation of risk management	22.2	Number of risk committee meetings convened	4	4	4	2	Partially Achieved	Risk committee minutes and attendance register	Risk committee was disbanded	The external Risk Committee chairperson have been appointed and the 2018/19 annual plan is on the draft stage will be tabled to MANCO and Risk Committee for approval.
		23.3	Number of quarterly reports on risk action plans submitted to Risk Committee	4	4	4	3	Partially Achieved	Quarterly reports	Risk action is a standing item on Risk Committee but this meeting did not sit during quarter 4 due to disbandment of the committee	The Reports will be submitted to the new established Risk Committee in July 2018
To ensure effective and efficient Youth Development trough projects.	By executing Youth Development projects/ programmes	24.1	No of youth programmes executed	n/a	n/a	12	6	Partially Achieved	Proof of payment, Reports, attendance registers and pictures	Some of the programmes did not take place due to budget constraints	Ensure that all programmes plane are budgeted for

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				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
To ensure safeguarding of municipal records	Implementation of Records Management System (RMS)	25.1	Number of implementation reports submitted	n/a	n/a	4	2	Partially Achieved	Signed quarterly implementation report	No reports were submitted to MANCO but the Scheduled of the Records, Filing System and Systematic Disposal Programme developed	The Records Management Report will be submitted to MANCO to ensure proper implementation
		25.2	Number of notices posted daily at registry	n/a	n/a	1	1	Achieved	Registry Notice		
To mainstream issues of the valnerable groups into all municipal processes and programmes.	To promote social cohesion for senior citizens	26.1	Number of activities	n/a	n/a	1	1	Achieved	Attendance register and pictures		
	To promote all Sports' codes	26.2	Number of activities that promotes all Sports codes	n/a	n/a	8	10	Achieved	Attendance register and pictures		
	participation in disasbility games	26.3	Number races participated on	n/a	n/a	2	2	Achieved	Pictures		
	Conducting HIV awareness campaigns	26.4	Number of awareness campaigns conducted	4	4	4	5	Achieved	Attendance register and photos		
	World Aids Day	26.5	Celebration Worl Aids Day conducted	1	1	1	1	Achieved	Attendance register and photos		
	Men celebration	26.6	Number of celebration	1	1	1	1	Achieved	Attendance register and photos		
	Women celebration	26.7	Number of celebration	1	1	1	1	Achieved	Attendance register and photos		

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				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
	Men's Forum meeting	26.8	Number of meetings	n/a	n/a	4	4	Achieved	Attendance register and minutes		
	Women's Forum meeting	26.9	Number of meetings	n/a	n/a	4	4	Achieved	Attendance register and minutes		
To promote culture of reading	Year End Activities	27.1	Number of events	n/a	n/a	2	2	Achieved	photos		
	Decentralized library hubs	27.2	Decentraliizing libraries to the people	n/a	n/a	100%	100%	Achieved	pictires amd reports		
Financial Viability and Financial Management											
To ensure achievement of expenditure targets	Monitor the implementation of the procurement plans	28.1	% procurement plan expenditure targets achieved	100%	100%	95%	95%	Achieved	Procurement plan and expenditure report		
Optimal revenue collection	Implementation of a revenue enhancement strategy and revenue debt collection policy	29.1	% of collection of debtors in respect of service billings	n/a	n/a	80% - 95%	83%	Achieved	Billing Report		
		29.2	% of reduction in the debtors book	n/a	n/a	20%	29%	Achieved	Debtors age analysis report		
		29.3	% reduction in electricity distribution losses	n/a	n/a	10%	5%	Partially Achieved	Quarterly report on the Kiosks and smart meters installed, electricity consumption report		
Capital expenditure management	Monitor implementation of the capital expenditure	30.1	% spent on Capital expenditure programme	100%	98%	95%	97%	Achieved	Capital expenditure report		

OBJECTIVE	STRATEGIES	No.	INDICATORS	COMPARISON WITH PREVIOUS YEAR				STATUS [achieved/ Not achieved]	PORTFOLIO OF EVIDENCE	REASONS FOR VARIENCES	CORRECTIVE MEASURE
				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
To ensure disciplined Expenditure management	Monitor implementation of the operational expenditure and planned maintenance targets	31.1	% of operational expenditure and planned maintenance	100%	64%	95%	94%	Achieved	Operational expenditure report , maintenance expenditure report		
To achieve profitability and liquidity ratios	Monitor implementation of the revenue enhancement strategy will ensure effective collection of outstanding debts.	32.1	% of debt coverage	n/a	n/a	95%	103	Achieved	signed profitability and liquidity ratios report		
	Monitor implementation of the cash flow management strategy which will serve to safeguard the cash flow requirements and of the institution	32.2	Number of days of cash coverage	n/a	n/a	90 days	12 months	Achieved	signed profitability and liquidity ratios report		
	Monitor implementation of expenditure management and cash flow requirements in a manner that will ensure timeous payment of both long term and short term financial obligations.	32.3	Current ratio 1:1	n/a	n/a	1:1	5:01	Achieved	signed profitability and liquidity ratios report		
		32.4	Solvency ratio	n/a	n/a	2:1	6:01	Achieved	signed profitability and liquidity ratios report		
		32.5	Net operating margin	n/a	n/a	10%	10%	Achieved	signed profitability and liquidity ratios report		
To safeguard Municipal Assets	Quarterly update of the Asset Register	33.1	Number of GRAP Compliant Asset Register	n/a	n/a	4	4	Achieved	List of assets additions, asset register		

OBJECTIVE	STRATEGIES	No.	INDICATORS	COMPARISON WITH PREVIOUS YEAR				STATUS [achieved/ Not achieved]	PORTFOLIO OF EVIDENCE	REASONS FOR VARIENCES	CORRECTIVE MEASURE
				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
			updated						summary		
To achieve effective financial reporting	Prepare financial statements	34.1	Number of 2017/2018 financial statements produced	1	1	1	1	Achieved	Bi-annual financial statements		
		34.2	Date 2016/2017 financial statements submitted to AG	31-Aug-16	31-Aug-16	31-Aug-17	31 Aug 2017	Achieved	Annual Financial statements		
Improved budget implementation in the municipality	Compilation of the budget within the legislated time frames	35.1	Date draft 2017/2018 budget adjustment adopted	n/a	n/a	28-Feb-18	28 Feb 2018	Achieved	16/17 adjusted budget, Council resolution and advert		
		35.2	Date 2018/2019 annual budget adopted	n/a	n/a	31-May-18	28 May 2018	Achieved	Final 2017/2018 annual budget, Council resolution and advert		
	Preparation and submission of monthly section 71 reports to Mayor and NT	35.3	Number of Section 71 reports prepared and submitted to Mayor and NT	12	12	12	12	Achieved	S 71 Report		
	Preparation and submission of Section 72 reports to Council, PT and NT	35.4	Number of Section 72 reports submitted to Council	1	1	1	1	Achieved	S 72 Report		
	Preparation and approval of Service Delivery and Budget Implementation Plan by Mayor	35.5	Number of SDBIP prepared and approved	1	1	1	1	Achieved	SDBIP - Council Resolution		

OBJECTIVE	STRATEGIES	No.	INDICATORS	COMPARISON WITH PREVIOUS YEAR				STATUS [achieved/ Not achieved]	PORTFOLIO OF EVIDENCE	REASONS FOR VARIENCES	CORRECTIVE MEASURE
				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
To promote sound financial management system	Continuous update of the Loan Register	36.1	Number of Loan Register updated	n/a	n/a	12	12	Achieved	Updated Loan Register		
	Continuously update of the Investment Register	36.2	Number of Investment Register updated	n/a	n/a	12	12	Achieved	Updated Investment Register		
	Continuous preparation and submitting SCM reports to Mayor and NT	36.3	Number of SCM Reports submitted	n/a	n/a	12	12	Achieved	SCM Reports		
	Continuously preparing and submitting revenue reports to Portfolio Committee	36.4	Number of Revenue Reports Submitted			12	12	Achieved	Revenue Reports		
Cross Cutting Interventions											
To ensure efficient and credible strategic and spatial municipal planning	Revision of a credible Integrated Development Plan and submit to Council for approval and adoption	37.1	Date 2018/19 IDP Process Plan adopted	n/a	n/a	28-Aug-17	26-Sep-17	Achieved	IDP Process Plan, Council Resolution, advert and COGTA comments		
		37.2	Date Draft 2018/2019 IDP Review for approved	n/a	n/a	30-Mar-18	27-Mar-18	Achieved	Draft IDP and Council Resolution		
		37.3	Date 2018/19 IDP Review adopted	n/a	n/a	30-Jun-18	29-Jun-18	Achieved	Final IDP, Council Resolution and adverts		
	Facilitate the preparation of a Five Year IDP	37.4	Number of strategic planning session conducted	n/a	n/a	2	2	Achieved	Attendance register and strategic planning report		
	Review Spatial Development Framework	37.6	Date reviewed Spatial Development framework adopted	30-Jun-17	23-Jun-17	30-Jun-18	29-Jun-18	Achieved	Reviewed and adopted SDF		

OBJECTIVE	STRATEGIES	No.	INDICATORS	COMPARISON WITH PREVIOUS YEAR				STATUS [achieved/ Not achieved]	PORTFOLIO OF EVIDENCE	REASONS FOR VARIENCES	CORRECTIVE MEASURE
				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
To ensure effective disaster management	Disaster response, assessment and recovery be responded to within 3 hours turnaround time	38.1	% Disaster/incidents responded to within 3 hours turnaround time	5 mins	5 mins	100% within 3 hours	100% within 3 hours	Achieved	Assessment form, Signed assessment report		
	Implementation of the Disaster Management Plan	38.2	Number of implementation reports submitted	n/a	n/a	4	4	Achieved	Signed Disaster Management quarterly report,		
	Review Disaster Management Plan	38.3	Date Disaster Management Plan reviewed and adopted	30-Jun-17	0	30-Mar-18	27-Mar-18	Achieved	Adopted Disaster Management Plan, Council resolution		
	Installation of lightning prevention devices	38.5	Percentage of lightning conductors installed	200	333	100%	100%	Achieved	beneficiary list submitted		
	creation of disaster risk reduction awareness campaigns	38.6	number of awareness campaigns conducted	40	40	4	24	Achieved	beneficiary list submitted		
To provide a safe and secure environment.	Keeping Nquthu safe and accident free	40.1	Number of reports submitted monthly	n/a	n/a	12	12	Achieved	Report		
		40.2	Number of road blocks conducted	n/a	n/a	48	53	Achieved	Attendance Register, Road block schedule		
	To render a prompt and efficient reaction to road traffic accidents	40.3	accident responded to within 2 hours turnaround time	100% within 2 hours	100% within 2 hours	100% within 2 hours	100% within 2 hours	Achieved	Occurrence Book and Accident form , signed assessment report		
Promote safe driving	To render service for booking of learners licenses	41.1	number of applicants monthly	n/a	n/a	150 Applicants	1832	Achieved	Enatis print out		

OBJECTIVE	STRATEGIES	No.	INDICATORS	COMPARISON WITH PREVIOUS YEAR				STATUS [achieved/ Not achieved]	PORTFOLIO OF EVIDENCE	REASONS FOR VARIENCES	CORRECTIVE MEASURE
				2016/17 (Target)	2016/2017 (Actual)	2017/2018 (Target)	2017/2018 (Actual)				
Complying with National Road Traffic Act	To render service for renewals of driving licenses	41.2	number of applicants	n/a	n/a	160 Applicants	1534	Achieved	Enatis print out		

ASSESSMENT OF SERVICE PROVIDERS
(Annexure 02)

Bid Number	*Name Of External Service Provider*	*Date Contract Awarded*	*Service Provided In Terms Of The Sla*	*Value Of Project*	*Comparison With Previous Year*		*Current Financial Year*		*Assessment Of Service Providers Performance*		
					Target	*Actual*	*Target*	*Actual*	*G*	*S*	*P*
Nqu0030/303/2017	Berecah Economic Consulting	06/07/2017	Feasibility Study On Arts, Culture And Tourism Centre	R 741 000.00	*N/A*	*N/A*	Feasibility Study On Arts, Culture And Tourism Centre	*Feasibility is still on draft state*			*X*
Nqu0040/308/2017	Bidvest Steiner	06/07/2017	Supply, Delivery and Maintenance of Sanitary Bins For The Period Of 12 Months	R 12 587.93	*N/A*	*N/A*	Supply, Delivery And Maintenance Of Sanitary Bins For The Period Of 12 Months	*Sanitary Bins Delivered and maintained*	*X*		
Nqu0022/3072017	Konica Minolta South Africa	06/07/2017	Supply, Delivery, Maintenance And Installation Of Photocopying Machines For 36 Months	R 493 499.86	*N/A*	*N/A*	Supply, Delivery, Maintenance And Installation Of Photocopying Machines For 36 Months	*Photocopier machines were delivered and maintained ongoing*	*x*		
Nqu0030/316/2017	Umhlaba Geomatics Inc.	14/08/2017	General Valuation And Preparation Of A Valuation Roll For Implementation And Updating For The Period 1 July 2018 To 30 June 2023.	R 920 000.00	*N/A*	*N/A*	General Valuation And Preparation Of A Valuation Roll For Implementation And Updating For The Period 1 July 2018 To 30 June 2023.	There is valuation report and new valuation roll was adopted.	*X*		
Nqu0020/321/2017	Gillock Motors	14/08/2017	Supply And Delivery Of	R 592 925.36	*N/A*	*N/A*	Supply And Delivery Of	*Mayor's Vehicle was*	*X*		

Bid Number	*Name Of External Service Provider*	*Date Contract Awarded*	*Service Provided In Terms Of The Sla*	*Value Of Project*	*Comparison With Previous Year*		*Current Financial Year*		*Assessment Of Service Providers Performance*		
					Target	*Actual*	*Target*	*Actual*	*G*	*S*	*P*
			Mayor's Vehicle To Nquthu Municipality				Mayor's Vehicle To Nquthu Municipality	*delivered on time*			
Nqu0056/319/2017	Gillock Motors	14/08/2017	Supply And Delivery Of Deputy Mayor's Vehicle To Nquthu Municipality	R 455 875.99	*N/A*	*N/A*	Supply And Delivery Of Deputy Mayor's Vehicle To Nquthu Municipality	*Deputy Mayors Vehicle was Delivered on time*	*X*		
Nqu0100/330/2017	Zimedu Trading Enterprise	22/01/2018	Supply And Install Asphalt Base And Surfacing In Mangosuthu Road (Ward 14)	R 420 914.22	*N/A*	*N/A*	Supply And Install Asphalt Base And Surfacing In Mangosuthu Road (Ward 14)	*The Services Provided Scoped was changed*	*X*		
Nqu0100/326/2017	Amagwaba Construction	22/01/2018	Supply And Install Roof In The Nquthu Stores	R 282 606.00	*N/A*	*N/A*	Supply And Install Roof In The Nquthu Stores	*Roofing at Stores Offices installed on time*	*X*		
Nqu5050/333/2017	Hamsa Consulting Engineers	22/01/2018	Supervision And Project Management For The Kwayise CommPunity Hall In Ward 02	R168 000.00	*N/A*	*N/A*	Supervision And Project Management For The Kwayise Community Hall In Ward 02	*Project currently registered on MIG*		*X*	
Nqu5000/332/2017	Anvisda Plant Civils	31/01/2018	Construction Of Nquthu Southern Road	R9 939 314.64	*N/A*	*N/A*	Construction Of Nquthu Southern Road	*Still under construction*	*X*		

Bid Number	*Name Of External Service Provider*	*Date Contract Awarded*	*Service Provided In Terms Of The Sla*	*Value Of Project*	*Comparison With Previous Year*		*Current Financial Year*		*Assessment Of Service Providers Performance*		
					Target	*Actual*	*Target*	*Actual*	*G*	*S*	*P*
			Network Phase 1				Network Phase 1				
Nqu0100/326/2017	Xrhthm Trading And Projects (Pty) Ltd	31/01/2018	Supply And Install Road Marking Control Signs For Nquthu Town	R203 544.00	*N/A*	*N/A*	Supply And Install Road Marking Control Signs For Nquthu Town	*Completed on time*	*X*		
Nqu5000/336/2017	Ekene Investments Cc	31/01/2018	Construction Of Ubemba Access Road Phase 2	R4 878 493.95	*N/A*	*N/A*	Construction Of Ubemba Access Road Phase 2	*Project is at 90%*	*X*		
Nqu5000/335/2017	Hambagashle Construction	31/01/2018	Construction Of Savuye Gravel Road Phase 2	R2 252 400.89	*N/A*	*N/A*	Construction Of Savuye Gravel Road Phase 2	*Project Completed and handed over on 06 August 2018*	*X*		
Nqu5000/334/2017	Mpandla Trading	31/01/2018	The Installation Of Welcome To Nquthu Town Signs In Ward 14	R1 179 054.12	*N/A*	*N/A*	The Installation Of Welcome To Nquthu Town Signs In Ward 14	*The project is not yet completed*		*X*	
Nqu5050/331/2017	Melaokuhle Trading Enterprise	11/07/2016	Construction Of Mafihleng Hall	R2 919 673.48	*N/A*	*N/A*	Construction Of Mafihleng Hall	*Still under construction*	*X*		
Nqu5050/337/2017	Ah- Tak-Thi-Ki Trading 539 Cc	11/07/2016	Construction Of Eziqhazeni Hall	R2 816 610.70	*N/A*	*N/A*	Construction Of Eziqhazeni Hall	*Still under construction*	*X*		
Nqu5000/342/2018	Vangisa Projects	11/07/2016	Design And Project Management Of Traffic	R180 000.00	*N/A*	*N/A*	Design And Project Management Of Traffic	*They are providing information*	*X*		

Bid Number	*Name Of External Service Provider*	*Date Contract Awarded*	*Service Provided In Terms Of The Sla*	*Value Of Project*	*Comparison With Previous Year*		*Current Financial Year*		*Assessment Of Service Providers Performance*		
					Target	*Actual*	*Target*	*Actual*	*G*	*S*	*P*
			Offices				Offices	*and they updated the municipality on a regular*			
Nqu5000/282/2015	Mela Okuhle Trading	22/06/2016	Construction Of Nondweni Gravel Road In Ward 06	R 3 608 290.95	*N/A*	*N/A*	Construction Of Nondweni Gravel Road In Ward 06	*Project completed but there were delays*		*X*	
Nqu5000/288/2015	Santo Civils Trans & Maint.	22/06/2016	Construction Of Ndatshana Gravel Access Road In Ward 16	R 1 060 000.00	Construction Of Ndatshana Gravel Access Road In Ward 16	*Design is complete and contractor on site*	Construction Of Ndatshana Gravel Access Road In Ward 16	*Project is 100% complete*			*X*
Nqu0080/241/2014	Rb Projects Managers And Consultants	22/06/2016	Proposal For Supervisionand Project Management Of Jama Horse Riding Facilty In Ward 04	R 457 500.00	*N/A*	*N/A*	Proposal For Supervision and Project Management Of Jama Horse Riding Facilty In Ward 04	*Service delivered adequately*	*X*		
Nqu5000/283/2015	Sipho – Glad Construction And General	28/04/2016	Construction Of Langakazi Access Road	R4 266 007.68	*N/A*	*N/A*	Construction Of Langakazi Access Road	*Completed on time*	*X*		
Nqu5050/278/2015	Bright Idea Project 487	22/06/2016	Construction Of Machitshana Community Hall Ward 4	R3 718 576.48	*N/A*	*N/A*	Construction Of Machitshana Community Hall Ward 4	*Project 100% completed*	*X*		
Nqu5000/279/2015	Vip Construction Cc	22/06/2016	Construction Of Ubemba Road phase 2	R 2 555 282.07	*N/A*	*N/A*	Construction Of Ubemba Road	*Project 28% complete*	*X*		

Bid Number	*Name Of External Service Provider*	*Date Contract Awarded*	*Service Provided In Terms Of The Sla*	*Value Of Project*	*Comparison With Previous Year*		*Current Financial Year*		*Assessment Of Service Providers Performance*		
					Target	*Actual*	*Target*	*Actual*	*G*	*S*	*P*
Nqu5000/285/2015	Busizwe Trade And Suppliers Cc	22/06/2016	Construction Of Manzekhofi Access Road	R3 974 571.81	Construction Of Manzekhofi Access Road	Design is complete and Constractor is on site	Construction Of Manzekhofi Access Road	*Project 100% Completed*	*X*		
Nqu5050/284/2015	Bsn Business Enterprise	14/09/2016	Construction Of Ngedla Community Hall	R2 498 807.18	*N/A*	*N/A*	Construction Of Ngedla Community Hall	*Project 100% Completed*		*X*	
Nqu0080/222/2013	Sanoqwabe Consultants Cc	14/09/2016	Design And Project Management Of Installing Welcome To Nquthu Signs In Ward 14	R189 000.00	*N/A*	*N/A*	Design And Project Management Of Installing Welcome To Nquthu Signs In Ward 14	*Achieved*		*X*	
Nqu5050/270/2015	Snothile Trading	14/09/2016	Construction Of Mabululwane Community Hall	R 2 526 833.83	*N/A*	*N/A*	Construction Of Mabululwane Community Hall	*100% complete*	*X*		
Nqu5000/291/2015	Ndlumbi Trading	14/09/2016	Construction Of Savuye Gravel Access Road	R 3 290 883.37	*N/A*	*N/A*	Construction Of Savuye Gravel Access Road	*Completed*	*X*		
Nqu5050/2412014	Mancinza Civil	14/09/2016	Installing And Fencing Of Nquthu Fire Station	R 497 592.90	*N/A*	*N/A*	Installing And Fencing Of Nquthu Fire Station	*Completed*	*X*		
Nqu0080/235/2013	Sgm Business Projects	14/09/20147	Construction Of Mantuli Gravel Access Road	R 2 783 017.02	*N/A*	*N/A*	Construction Of Mantuli Gravel Access Road	*Project still in progress*	*X*		
Nqu5000/297/2015	Zasemacinekeni	24/02/2017	Construction Of	R 1 368	*N/A*	*N/A*	Construction Of	*99% complete*		*X*	

Bid Number	*Name Of External Service Provider*	*Date Contract Awarded*	*Service Provided In Terms Of The Sla*	*Value Of Project*	*Comparison With Previous Year*		*Current Financial Year*		*Assessment Of Service Providers Performance*		
					Target	*Actual*	*Target*	*Actual*	*G*	*S*	*P*
	Trading		Ekudukeni Gravel Access Road	443.05			Ekudukeni Gravel Access Road				
Nqu5050/293/2015	Ibutho Projects (Pty) Ltd	24/02/2017	Construction Of Testing Ground In Ward 14	R 5 181 020.13	*N/A*	*N/A*	Construction Of Testing Ground In Ward 14	*100% completed*	*X*		
Nqu2110/212/2014	Shantis Electrical (Pty) Ltd	26/04/2017	Nomathinta Electrification - Phase 2	R 25 095 444.43	*N/A*	*N/A*	Nomathinta Electrification - Phase 2	*95% completed*		*X*	
Nqu0055/302/2017	Sibiyatech (Pty) Ltd	26/04/2017	Supply And Delivery Of Soccer Poles And Nets	R 271 320.00	*N/A*	*N/A*	Supply And Delivery Of Soccer Poles And Nets	*Soccer Poles and nets were delivered*	*X*		
Nqu0020/296/2015	Harvey World Travel	26/04/2017	Appointment Of A Travel Agent For 36 Months		*N/A*	*N/A*	Appointment Of A Travel Agent For 36 Months	*Provision of Travel Services is ongoing*	*X*		
Nqu0021/300/2017	S And M Kuhle Trading And Projects	11/07/2016	Supply And Delivery Of Uniform For Nquthu Municipality Employees	R 415 019.05	*N/A*	*N/A*	Supply And Delivery Of Uniform For Nquthu Municipality Employees	Uniform delivered on time	*x*		
Nqu0018/256/2015	Tshidi & Associates	29/03/2016	Provision Of Internal Auditing Services For A Period Of 36 Months	R1 536 510.00	Provision Of Internal Auditing Services For A Period Of 36 Months	Provision Of Internal Auditing Services is ongoing	Provision Of Internal Auditing Services For A Period Of 36 Months	Provision Of Internal Auditing Services is ongoing	*x*		
	Inqondo Business	11/11/2015	Design, Construction		Design, Construction	Design is completed	Design, Construction	Overall progress is			

Bid Number	*Name Of External Service Provider*	*Date Contract Awarded*	*Service Provided In Terms Of The Sla*	*Value Of Project*	*Comparison With Previous Year*		*Current Financial Year*		*Assessment Of Service Providers Performance*		
					Target	*Actual*	*Target*	*Actual*	*G*	*S*	*P*
	Consulting		and Project Management and Implementation of Sheep and Wool Project		and Project Management and Implementation of Sheep and Wool Project	and Construction in progress	and Project Management and Implementation of Sheep and Wool Project	100% completion for phase 1 and 2. Part of equipment have been delivered.			
NQU002/268/2015	Ethamba Computers And Computing Cc	28/04/2016	Supply And Installation Of Wireless Point Connection		Supply And Installation Of Wireless Point Connection	Maintenance is ongoing	Supply And Installation Of Wireless Point Connection	Maintenance is ongoing		x	

CHAPTER FIVE- 2017/18 AUDITOR-GENERAL REEPORT

(Page to)

Auditor-General of South Africa

Nquthu Municipality

Audit report 2017-18

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on Nquthu Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Nquthu Municipality set out on pages 100 to 158 which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nquthu Municipality as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (DoRA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material provision for impairment – trade debtors

7. As disclosed in notes 10 and 11 to the financial statements, a material provision for impairment of trade debtors, totalling R15,04 million (2016-17: R12,69 million) was made and this represents 32,5% of the gross debtors balance, and was due to debtors balances that remained unpaid over a long period.

Irregular expenditure

8. As disclosed in note 48 to the financial statements, the municipality incurred irregular expenditure of R6,12 million as it did not follow proper procurement processes, which resulted in some contracts being extended after expiry and inconsistencies in the awarding of some contracts.

Material losses – electricity

9. As disclosed in note 54 to the financial statements, material electricity losses of R13,11 million (2016-17: R9,99 million) were incurred due to illegal connections, distribution losses caused by ageing infrastructure, and streetlight consumption not being reliably accounted for. The losses represent 49,5% of the total electricity purchased by the municipality.

Other matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

11. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

13. In preparing the financial statements, the accounting officer is responsible for assessing Nquthu Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

16. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

17. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the **basic services and infrastructure development** objective presented in the annual performance report of the municipality for the year ended 30 June 2018

Objective 2: Basic services and infrastructure development

Indicator - percentage of households with access to basic free service

19. I was unable to obtain sufficient appropriate audit evidence to support the reported achievement of the target relating to the indicator “percentage of households with access to basic free service”. This was because of a lack of technical indicator descriptions, proper performance management systems and processes, and formal standard operating procedures that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement of this indicator by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement as reported in the annual performance report.

Indicator - percentage of households with access to basic level of water, sanitation, electricity and solid waste removal

20. I was unable to obtain sufficient appropriate audit evidence to support the reported achievement of the target relating to the indicator “percentage of households with access to basic level of water, sanitation, electricity, and solid waste removal”. This was because of a lack of technical indicator descriptions, proper performance management systems and processes, and formal standard operating procedures that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement of the indicator by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement as reported in the annual performance report.

Other matters

21. I draw attention to the matters below.

Achievement of planned targets

22. The annual performance report on pages 41 to 89 includes information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 19 to 20 of this report.

Adjustment of material misstatements

23. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the basic service and infrastructure development objective. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

24. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

25. The material findings on compliance with specific matters in key legislation are as follows:

Financial statements

26. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of property, plant and equipment; receivables; payables; debt impairment; depreciation; commitments and contingent assets identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

27. Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and 2017 preferential procurement regulation 11(1).

Other information

28. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

29. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

30. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

31. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

32. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

33. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

34. The financial statements and annual performance report contained numerous misstatements that were corrected. These were mainly due to the inadequate application of the financial reporting framework and a lack of proper management reviews on quarterly, mid-year and annual performance reports to ensure that they were supported by reliable and complete information.

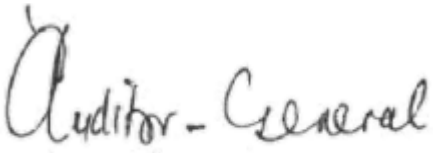
35. Supply chain management non-compliances could have been prevented had compliance been properly reviewed and monitored by management.

Other reports

36. I draw attention to the following investigation that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. This investigation did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigation

37. An independent consultant was appointed to investigate the state of governance and administration of the previous council of the municipality, covering the period of May 2011 to August 2016. The forensic investigation is currently in progress.



Pietermaritzburg

30 November 2018

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the **Nquthu Municipality's** ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related saf`eguards.

CHAPTER SIX- 2017/18 ANNUAL FINANCIAL STATEMENTS

(Page to)



Nquthu Local Municipality
Annual Financial Statements
for the year ended June 30, 2018

General Information

Nature of business and principal activities	Local Municipality
The following is included in the scope of operation	Rendering of basic services to the local community as per Chapter 7 of the Constitution of the Republic of South Africa
Executive Committee	Cllr. SM Kunene (Mayor)
	Cllr. NM Zungu (Deputy Mayor)
	Cllr. PP Ntombela
	Cllr. LS Hoffman
	Cllr. LC Moloi
	Cllr. MR Ngobese
	Cllr. ME Mnguni (Speaker)
Ordinary Councilors	Cllr. Z Sithole
	Cllr. RS Langa
	Cllr. EM Mkhwanazi
	Cllr. IL Shabalala
	Cllr. NM Buthelezi
	Cllr. MSK Gumbi
	Cllr. SM Buthelezi
	Cllr. SP Mathe
	Cllr. FA Hlatshwayo
	Cllr. JN Khoza
	Cllr. JZ Ndima
	Cllr. SD Masimula (MPAC Chairperson)
	Cllr. AS Zulu
	Cllr. GF Molefe
	Cllr.. SMC Zikode
	Cllr. TJ Motloung
	Cllr. NS Mkhize
	Cllr. NG Mdlalose
	Cllr. BI Zwane
	Cllr. ET Nhlebela
	Cllr. CT Buthelezi
	Cllr. TA Dlamini
	Cllr. MN Khanye
	Cllr. TZ Buthelezi
	Cllr. CN Xulu
	Cllr. HM Shelembe
Accounting Officer	Mr. BP Gumbi
Chief Finance Officer (CFO)	Mr. WS Mpanza
Registered office	Municipal Building 83/11 Mdlalose Street Nquthu 3135
Business address	Municipal Building 83/11 Mdlalose Street Nquthu 3135

General Information

Postal address	Private Bag X 5521 Nquthu 3135
Bankers	ABSA South Africa
Auditors	Auditor General
Attorneys	BMM Inc.

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The reports and statements set out below comprise the annual financial statements presented to the Nquthu Local Municipality Council.:

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DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs for the period then ended. The external auditors are engaged to express an ndependent opinion ont financial statements the municipality as at the end of the financial year and the results of its operations and cash flowsependent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the Risk Committee sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to June 30, 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 58, which have been prepared on the going concern basis, were approved by the full Municipal Council on 31 August 2018 and were signed on its behalf by:

Accounting Officer
Designation

Statement of Financial Position as at June 30, 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current Assets			
Inventories	9	1,126,367	1,079,883
Receivables from exchange transactions	10	4,168,217	11,895,431
Receivables from non-exchange transactions	11	27,070,972	25,417,517
VAT receivable	12	4,084,624	1,930,774
Prepayments		688,266	-
Cash and cash equivalents	13	231,170,485	168,059,336
		268,308,931	**208,382,941**
Non-Current Assets			
Investment property	4	815,707	884,356
Property, plant and equipment	5	311,743,721	293,775,944
Intangible assets	6	154,876	229,338
Heritage assets	7	78,888	78,888
		312,793,192	**294,968,526**
Non-Current Assets		312,793,192	294,968,526
Current Assets		268,308,931	208,382,941
Total Assets		**581,102,123**	**503,351,467**
Liabilities			
Current Liabilities			
Payables from exchange transactions	17	18,572,356	7,261,368
Consumer deposits	18	503,589	523,102
Unspent conditional grants and receipts	15	4,916,138	1,215,702
Provisions	16	6,620,544	4,324,489
Employee benefit obligation -current portion		112,188	49,154
		30,724,815	**13,373,815**
Non-Current Liabilities			
Employee benefit obligation	8	1,832,771	1,521,684
Non-Current Liabilities		1,832,771	1,521,684
Current Liabilities		30,724,815	13,373,815
Total Liabilities		**32,557,586**	**14,895,499**
Assets		581,102,123	503,351,467
Liabilities		(32,557,586)	(14,895,499)
Net Assets		**548,544,537**	**488,455,968**
Reserves			
Housing Developmet Fund	14	112,725	106,440
Accumulated surplus		548,431,810	488,349,528
Total Net Assets		**548,544,535**	**488,455,968**

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
Revenue			
Revenue from exchange transactions			
Service charges	20	12,747,470	14,763,782
Rental of facilities and equipment		501,745	523,454
Interest received (trading)		597,266	840,839
Licences and permits		859,238	788,998
Miscellaneous other revenue		1,169,877	2,069,590
Commissions received		115,534	120,352
Interest received - investment	22	16,916,977	12,813,407
Total revenue from exchange transactions		**32,908,107**	**31,920,422**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	18,181,392	18,788,771
Property rates - penalties imposed	23	1,389,933	1,321,378
Transfer revenue			
Government grants & subsidies	24	154,605,199	146,116,986
Fines, Penalties and Forfeits		708,263	612,316
Total revenue from non-exchange transactions		**174,884,787**	**166,839,451**
		32,908,107	31,920,422
		174,884,787	166,839,451
Total revenue	19	**207,792,894**	**198,759,873**
Expenditure			
Employee Costs	25	(48,726,856)	(39,240,202)
Remuneration of councillors	26	(10,885,290)	(6,574,391)
Depreciation and amortisation	27	(18,228,900)	(16,066,603)
Impairment loss/ Reversal of impairments	28	2,368	(25,512)
Finance costs	29	-	(3,594)
Lease rentals on operating lease		(196,610)	(149,155)
Debt Impairment	30	(2,355,110)	(996,659)
Bulk purchases	31	(17,550,876)	(17,152,275)
Contracted services	32	(4,839,576)	(3,205,395)
Loss on disposal of assets and liabilities		(138,545)	(329,989)
General Expenses	33	(38,223,287)	(32,340,098)
Total expenditure		**(141,142,682)**	**(116,083,873)**
		-	-
Total revenue		207,792,894	198,759,873
Total expenditure		(141,142,682)	(116,083,873)
Operating surplus/deficit		-	-
Surplus before taxation		66,650,212	82,676,000
Taxation		-	-
Surplus for the year		**66,650,212**	**82,676,000**

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Balance at July 1, 2016	**100,206**	**405,645,000**	**405,745,206**
Changes in net assets			
Surplus for the year	6,234	82,676,000	82,682,234
Prior year adjustment	-	28,528	28,528
Total changes	6,234	82,704,528	82,710,762
Balance at July 1, 2017	**106,440**	**488,349,527**	**488,455,967**
Changes in net assets			
Surplus for the year	6,285	66,650,212	66,656,497
Prior year adjustment	-	(6,567,929)	(6,567,929)
Total changes	6,285	60,082,283	60,088,568
Balance at June 30, 2018	**112,725**	**548,431,810**	**548,544,535**
Note(s)	14&41		

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Sale of goods and services		15,393,864	14,763,782
Grants		155,313,462	146,116,986
Interest income		16,916,977	12,813,407
Other receipts		28,033,990	25,050,437
		215,658,293	198,744,612
Payments			
Employee costs		(59,487,427)	(45,814,592)
Suppliers		(56,864,170)	(53,961,026)
Finance costs		-	(3,594)
		(116,351,597)	(99,779,212)
Total receipts		215,658,293	198,744,612
Total payments		(116,351,597)	(99,779,212)
Net cash flows from operating activities	36	**99,306,696**	**98,965,400**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(36,046,102)	(49,531,892)
Proceeds from sale of property, plant and equipment	5	(8,172)	(3)
Net cash flows from investing activities		**(36,054,274)**	**(49,531,895)**
Cash flows from financing activities			
Movement in loan - long-term loan		-	(125,643)
Net increase in cash and cash equivalents		**63,252,422**	**49,307,862**
Cash and cash equivalents at the beginning of the year		168,059,336	118,751,478
Cash and cash equivalents at the end of the year	13	**231,311,758**	**168,059,340**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	18,698,100	-	**18,698,100**	12,747,470	**(5,950,630)**	50
Rental of facilities and equipment	359,666	-	**359,666**	501,745	**142,079**	50
Interest received (trading)	633,683	-	**633,683**	597,266	**(36,417)**	
Licences and permits	350,000	-	**350,000**	859,238	**509,238**	50
Miscellaneous other revenue	921,783	-	**921,783**	1,169,877	**248,094**	50
Commissions received	123,899	-	**123,899**	115,534	**(8,365)**	50
Interest received - investment	11,000,000	-	**11,000,000**	16,916,977	**5,916,977**	50
Total revenue from exchange transactions	**32,087,131**	**-**	**32,087,131**	**32,908,107**	**820,976**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	20,384,764	-	**20,384,764**	18,181,392	**(2,203,372)**	50
Property rates - penalties imposed	109,535	-	**109,535**	1,389,933	**1,280,398**	50
Transfer revenue						
Government grants & subsidies	187,494,000	-	**187,494,000**	154,605,199	**(32,888,801)**	50
Fines, Penalties and Forfeits	1,600,000	-	**1,600,000**	708,263	**(891,737)**	50
Total revenue from non-exchange transactions	**209,588,299**	**-**	**209,588,299**	**174,884,787**	**(34,703,512)**	
'Total revenue from exchange transactions'	32,087,131	-	**32,087,131**	32,908,107	**820,976**	
'Total revenue from non-exchange transactions'	209,588,299	-	**209,588,299**	174,884,787	**(34,703,512)**	
Total revenue	**241,675,430**	**-**	**241,675,430**	**207,792,894**	**(33,882,536)**	
Expenditure						
Personnel	(64,725,668)	-	**(64,725,668)**	(48,726,856)	**15,998,812**	
Remuneration of councillors	(10,831,654)	-	**(10,831,654)**	(10,885,290)	**(53,636)**	
Depreciation and amortisation	(11,793,663)	-	**(11,793,663)**	(18,228,900)	**(6,435,237)**	
Impairment loss/ Reversal of impairments	-	-	**-**	2,368	**2,368**	
Lease rentals on operating lease	(169,991)	-	**(169,991)**	(196,610)	**(26,619)**	
Debt Impairment	-	-	**-**	(2,355,110)	**(2,355,110)**	
Bulk purchases	(16,000,000)	-	**(16,000,000)**	(17,550,876)	**(1,550,876)**	
Contracted Services	(4,858,991)	-	**(4,858,991)**	(4,839,576)	**19,415**	
Transfers and Subsidies	(5,192,531)	-	**(5,192,531)**	-	**5,192,531**	
General Expenses	(39,231,091)	-	**(39,231,091)**	(38,223,287)	**1,007,804**	
Total expenditure	**(152,803,589)**	**-**	**(152,803,589)**	**(141,004,137)**	**11,799,452**	
	241,675,430	-	**241,675,430**	207,792,894	**(33,882,536)**	
	(152,803,589)	-	**(152,803,589)**	(141,004,137)	**11,799,452**	
Operating surplus	**88,871,841**	**-**	**88,871,841**	**66,788,757**	**(22,083,084)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Loss on disposal of assets and liabilities	-	-	**-**	(138,545)	**(138,545)**	
	88,871,841	-	**88,871,841**	66,788,757	**(22,083,084)**	
	-	-	**-**	(138,545)	**(138,545)**	
Surplus	**88,871,841**	**-**	**88,871,841**	**66,650,212**	**(22,221,629)**	
Deficit before taxation	88,871,841	-	**88,871,841**	66,650,212	**(22,221,629)**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**88,871,841**	**-**	**88,871,841**	**66,650,212**	**(22,221,629)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1,000,000	-	**1,000,000**	1,126,367	**126,367**	50
Receivables from exchange transactions	-	-	**-**	169,921	**169,921**	50
Receivables from non-exchange transactions	34,326,000	-	**34,326,000**	27,070,972	**(7,255,028)**	50
VAT receivable	-	-	**-**	4,084,624	**4,084,624**	50
Prepayments	-	-	**-**	688,266	**688,266**	Appendix E(1)
Cash and cash equivalents	180,868,000	-	**180,868,000**	231,170,485	**50,302,485**	50
	216,194,000	**-**	**216,194,000**	**264,310,635**	**48,116,635**	
Non-Current Assets						
Investment property	858,000	-	**858,000**	815,707	**(42,293)**	
Property, plant and equipment	390,000,000	-	**390,000,000**	311,743,721	**(78,256,279)**	
Intangible assets	290,000	-	**290,000**	154,876	**(135,124)**	
Heritage assets	78,888	-	**78,888**	78,888	**-**	
	391,226,888	**-**	**391,226,888**	**312,793,192**	**(78,433,696)**	
Non-Current Assets	216,194,000	-	**216,194,000**	264,310,635	**48,116,635**	
Current Assets	391,226,888	-	**391,226,888**	312,793,192	**(78,433,696)**	
Total Assets	**607,420,888**	**-**	**607,420,888**	**577,103,827**	**(30,317,061)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	-	-	**-**	18,572,356	**18,572,356**	50
Consumer deposits	550,000	-	**550,000**	503,589	**(46,411)**	50
Unspent conditional grants and receipts	-	-	**-**	4,916,138	**4,916,138**	50
Provisions	4,100,000	-	**4,100,000**	6,620,544	**2,520,544**	50
Employee benefit obligation - current portion	-	-	**-**	112,188	**112,188**	50
	4,650,000	**-**	**4,650,000**	**30,724,815**	**26,074,815**	
Non-Current Liabilities						
Employee benefit obligation	1,400,000	-	**1,400,000**	1,832,771	**432,771**	50
	4,650,000	-	**4,650,000**	30,724,815	**26,074,815**	
	1,400,000	-	**1,400,000**	1,832,771	**432,771**	
	-	-	**-**	-	**-**	
Total Liabilities	**6,050,000**	**-**	**6,050,000**	**32,557,586**	**26,507,586**	
Assets	607,420,888	-	**607,420,888**	577,103,827	**(30,317,061)**	
Liabilities	(6,050,000)	-	**(6,050,000)**	(32,557,586)	**(26,507,586)**	
Net Assets	**601,370,888**	**-**	**601,370,888**	**544,546,241**	**(56,824,647)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets						
Reserves						
Housing Development	-	-	**-**	112,725	**112,725**	50
Accumulated surplus	601,259,000	-	**601,259,000**	548,431,808	**(52,827,192)**	50
Total Net Assets	**601,259,000**	**-**	**601,259,000**	**548,544,533**	**(52,714,467)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) with the exception of certain accounting policies adopted in accordance with International Accounting Standards (IAS).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

GRAP 1 Presentation of Financial Statement
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Error
GRAP 5 Borrowing Costs
GRAP 6 Consolidated and Separate Financial Statements
GRAP 9 Revenue from Exchange Transactions
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events after the Reporting Date
GRAP 16 Investment property
GRAP 17 Property, Plant and Equipment
GRAP 19 Provisions, Contingent Liabilities and Contingent Asset
GRAP 21 Impairment of non-cash generating asset
GRAP 23 Revenue from Non-exchange transactions
GRAP 24 Presentation of budget information
GRAP 25 Employee benefits
GRAP 26 Impairment of cash generating assets
GRAP 31 Intangible Assets
GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations
GRAP 103 Heritage Assets
GRAP 104 Financial Instruments
GRAP 106 Transfer of Functions between entities not under common Control

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainity

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or,
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is derecognised on disposal, or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.”.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Accounting Policies

1.4 Investment property (continued)

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 4).

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Accounting Policies

1.5 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	30
Plant and machinery	Straight line	3-10
Furniture and fixtures	Straight line	3-10
Motor vehicles	Straight line	5-12
IT equipment	Straight line	5
IInfrastructure Roads & Stormwater	Straight line	5-80
Community	Straight line	30
Infrastructure Electricity	Straight line	30
Investment property	Straight line	30

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 5).

Accounting Policies

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

1.7 Heritage assets (continued)

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 7).

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

1.8 Financial instruments

Classification and derecognition

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

The municipality derecognises a financial asset when and only when; the rights to the cash flows from the financial asset expire; or it transfers the financial asset and the transfer qualifies for derecognition. The municipality first needs to evaluate the extent to which it retains the risks and rewards of ownership of the financial asset.

The municipality transfers a financial asset if and only if: the rights to receive cash flows from the asset have expired, or if the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the municipality has transferred substantially all the risks and rewards of the asset, or the municipality has neither transferred nor retained substantially all the risks and rewards of the asset.

The municipality removes a financial liability (or part of financial liability) from its statement of financial position when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or called or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

Receivables from exchange transactions

Accounting Policies

1.8 Financial instruments (continued)

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 150 days overdue) are considered indicators that the trade receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against surplus or deficit.

Payables from exchange transactions

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at amortised cost are subsequently measured at amortised cost using the effective interest rate method.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Accounting Policies

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

Accounting Policies

1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

The Municipality and its employees contribute to the Natal Joint Municipal Pension Fund, KwaZulu-Natal Joint Municipal Provident Fund (NJMPF) and the Government Employees Pension Fund (GEPF) which provides retirement benefits to such employees. The retirement benefitbenefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No. 24 of 1973) and in accordance with the requirements of the Pension Fund Act, 1956. Current contributions are charged against operating income on the basis of current service costs. Full actuarial valuations are performed every three years.

Whilst employees are employed by the municipality, the municipality contributes to their pension funds and medical aids. On termination, resignation or retirement of employees the municipality no longer contributes on their behalf and thus there are no post employment benefits.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Accounting Policies

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

Contingent assets and contingent liabilities are not recognised.

The municipality has a landfill site, although this has been since been discontinued to function due to environmental concerns.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.17 Interest and rental income

Interest is recognised using the effective interest rate method. Rentals are recognised on a time proportion basis.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in whic h they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Accounting Policies

1.21 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure is also any expenditure incurred in contravention of the municipality's supply chain management policy.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item to be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

Accounting Policies

1.24 Budget information (continued)

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2016 to 6/30/2017.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Accounting Policies

1.27 Commitments

The municipality at the end of the reporting period will have commitments in relation to the transactions in progress that will be finished after reporting date.

These will be disclosed in the commitments indicating if they are contracted or not. The property, plant and equipment note will also detail those projects that are under construction as at reporting date.

The commitment will arise either if the transaction was concluded at year-end or not in relation to the signing of the contract. If the bidding process is still under way the commitment will also be raised.

1.28 Going concern assumption

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended June 30, 2017 is as follows:

Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.

[If retrospective application is impracticable for a particular prior period, or for periods before those presented, disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.]

The municipality has not applied the new [name the standard or interpretation] issued, and effective for periods commencing . [Describe the new required treatment and the current treatment.] The estimated impact of the implementation of the new standard on the 2018 annual financial statements is as follows:

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2018 or later periods:

• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	April 1, 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	April 1, 2019	Unlikely there will be a material impact

3.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2018 or later periods but are not relevant to its operations:

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**

4. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,999,640	(1,183,933)	815,707	1,999,640	(1,115,284)	884,356

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	884,356	(68,649)	815,707

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

4. Investment property (continued)

Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	953,000	(68,644)	884,356

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. The municipality applies the cost model in respect of Investment Properties.

Investment Properties are depreciated on the straight-line method over the applicable useful lives as disclosed in the accounting policy note for Investment Properties.

The Investment Properties disclosed above with a carrying value of R 884 356 at 30 June 2018 (2017: R 953 000).

In respect of these Investment Properties, rental revenue to the amount of R 301,226 (2017: R 254 232) was recognised in surplus or deficit during the current financial year.

Direct operating expenses (repairs and maintenance) recognised in surplus or deficit, arising from the Investment Properties amounts to R 0., of which R 0 is derived from Investment Properties that generated rental revenue and R 0 is derived from Investment Properties that did not generate rental revenue.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal,as well as no contractual obligations to purchase, construct of develop Investment Property or for repairs, maintenance or enhancements.:

5. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	13,270,852	-	13,270,852	13,270,852	-	13,270,852
Buildings	134,732,373	(18,547,796)	116,184,577	121,401,803	(14,378,048)	107,023,755
Plant and machinery	5,690,233	(2,947,726)	2,742,507	5,690,450	(2,575,098)	3,115,352
Furniture and fixtures	4,757,484	(2,976,729)	1,780,755	4,166,145	(2,629,801)	1,536,344
Motor vehicles	28,440,276	(12,462,617)	15,977,659	27,391,474	(9,515,032)	17,876,442
IT equipment	2,612,172	(1,753,425)	858,747	3,196,957	(1,946,558)	1,250,399
IInfrastructure Roads & Stormwater	189,488,739	(38,215,246)	151,273,493	168,527,221	(29,227,471)	139,299,750
Community	3,092,494	(1,779,239)	1,313,255	3,092,494	(1,642,350)	1,450,144
Infrastructure Electricity	15,862,893	(7,521,017)	8,341,876	15,862,893	(6,909,987)	8,952,906
Total	**397,947,516**	**(86,203,795)**	**311,743,721**	**362,600,289**	**(68,824,345)**	**293,775,944**

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Work in progress	Disposals	Depreciation	Impairment loss	Impairment reversal	Total
Land	13,270,852	-	-	-	-	-	-	13,270,852
Buildings	107,023,755	1,568,124	11,748,967	-	(4,158,637)	-	2,368	116,184,577
Plant and machinery	3,115,352	25,999	-	(2,780)	(391,331)	(4,733)	-	2,742,507
Furniture and fixtures	1,536,344	749,358	-	(30,132)	(473,743)	(1,072)	-	1,780,755
Motor vehicles	17,876,442	1,048,802	-	-	(2,947,585)	-	-	15,977,659
IT equipment	1,250,399	73,497	-	(97,461)	(367,688)	-	-	858,747
IInfrastructure Roads & Stormwater	139,299,750	1,347,633	19,483,722	-	(8,857,612)	-	-	151,273,493
Community	1,450,144	-	-	-	(136,889)	-	-	1,313,255
Infrastructure Electricity	8,952,906	-	-	-	(611,030)	-	-	8,341,876
	293,775,944	**4,813,413**	**31,232,689**	**(130,373)**	**(17,944,515)**	**(5,805)**	**2,368**	**311,743,721**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Work in progress	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	13,270,852	-	-	-	-	-	-	13,270,852
Buildings	90,653,162	3,180,284	16,785,167	-	(199,349)	(3,395,509)	-	107,023,755
Plant and machinery	3,551,162	30,320	-	(43,943)	2,379	(423,691)	(875)	3,115,352
Furniture and fixtures	1,634,520	106,689	-	(11,067)	195,399	(388,235)	(962)	1,536,344
Motor vehicles	20,927,003	104,995	-	(260,972)	-	(2,894,584)	-	17,876,442
IT equipment	1,314,871	340,429	-	(14,004)	-	(389,331)	(1,566)	1,250,399
IInfrastructure Roads & Stormwater	117,992,854	-	28,984,008	-	1,569	(7,678,681)	-	139,299,750
Community	1,611,762	-	-	-	-	(139,507)	(22,111)	1,450,144
Infrastructure Electricity	9,563,904	-	-	-	-	(610,998)	-	8,952,906
	260,520,090	**3,762,717**	**45,769,175**	**(329,986)**	**(2)**	**(15,920,536)**	**(25,514)**	**293,775,944**

Figures in Rand	2018	2017

5. Property, plant and equipment (continued)

Pledged as security

There are no assets pledged as security:

Details of properties

A comprehensive Fixes Assets Register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.
For a detailed breakdown of PPE refer to Appendix B and C. The majority of municipal roads are gravel roads mainly constructed from the MIG funding.

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	25,008,007	15,683,364	40,691,371
Additions/capital expenditure	24,271,541	6,961,146	31,232,687
Transferred to completed items	(6,242,013)	(2,470,078)	(8,712,091)
	43,037,535	**20,174,432**	**63,211,967**

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Total
Opening balance	30,530,801	42,887,452	73,418,253
Additions/capital expenditure	28,984,008	16,785,167	45,769,175
Transferred to completed items	(37,687,087)	(43,989,255)	(81,676,342)
	21,827,722	**15,683,364**	**37,511,086**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	2,010,772	2,134,869

The municipallity through its Assets Management Policy makes a provision for maintanance of its PPE and this has been implemented where the PPE are maintained to keep them in good condition. Direct operating expenses (repairs and maintenance) recognised in surplus or deficit.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

6. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	623,878	(469,002)	154,876	623,878	(394,540)	229,338

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

6. Intangible assets (continued)

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	229,338	(74,462)	154,876

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software, other	306,757	(77,419)	229,338

Pledged as security

There are no intangible assets pledged as security:

7. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	78,888	-	78,888	78,888	-	78,888

8. Employee benefit obligations

Defined benefit plan

Long Service Award (LSA)

The Municipality offers employees Long Service Award (LSA) for every five years of service completed, from ten years of service to 45 years of service, inclusive.

The full actuarial report is available for inspection at municipal offices.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(1,832,771)	(1,384,397)
Fair value of plan assets	-	(137,287)
	(1,832,771)	**(1,521,684)**

[Provide a brief description of the link between the reimbursement right(s) and the related obligation]

The fair value of plan assets includes:

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	2,413,003	2,226,562
Net expense recognised in the statement of financial performance	423,275	186,441
	2,836,278	**2,413,003**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

8. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	194,379	202,498
Interest cost	133,662	130,907
Actuarial (gains) losses	95,234	(146,964)
	423,275	**186,441**

Figures in Rand	2018	2017

8. Employee benefit obligations (continued)

Key assumptions used

F**inancial**
Assumptions
It is difficult to predict future investment returns and salary inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 8.68% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.68% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.77%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2018.

The liability-weighted average term of the total liability is 7.77 years.

Salary Inflation Rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award.

The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

General Salary Inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 5.26% was obtained from the differential between market yields on index-linked bonds (2.77%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.68%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+8.68%-0.50%)/(1+2.77%))-1.

Thus, a general salary inflation rate of 6.26% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 2.28%.

It has been assumed that the next salary increase will take place on 1 July 2019.

The basis used to determine the overall expected rate of return on assets is as follow: [provide details]

The effect of the major categories of plan assets is as follow: [state effect]

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases: [provide details]

The basis on which the discount rate has been determined is as follow: [state basis]

The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows:

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
9. Inventories		
Consumable stores	1,126,367	1,079,883
10. Receivables from exchange transactions		
Sundry debtors	169,921	169,921
Consumer debtors - Electricity	1,281,473	1,822,780
Consumer debtors - Refuse	12,277,875	18,141,474
Consumer debtors - Market Stalls	902,611	869,809
Debt Impairment	(10,463,663)	(9,108,553)
	4,168,217	**11,895,431**
Electricity		
Current (0 -30 days)	882,407	901,337
31 - 60 days	40,423	165,745
61 - 90 days	27,078	126,388
91 - 120 days	17,156	91,511
121 - 365 days	10,252	286,649
> 365 days	304,157	251,151
	1,281,473	**1,822,781**
Summary of debtors by customer classification		
Households	111,429	126,387
Commercial	911,985	758,678
National and provincial government	258,059	849,298
Other	-	88,418
	1,281,473	**1,822,781**
Refuse		
Current (0 -30 days)	121,561	215,894
31 - 60 days	82,765	168,800
61 - 90 days	64,015	156,242
91 - 120 days	77,846	151,276
121 - 365 days	53,918	1,795,393
181 - 365 days	11,877,770	15,653,869
	12,277,875	**18,141,474**
Summary of debtors by customer classification		
Households	2,534,173	2,504,654
Commercial	109,945	201,499
National and provincial government	9,633,757	15,407,908
Other	-	27,413
	12,277,875	**18,141,474**
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	(9,108,553)	(8,602,116)
Provision for impairment	(1,355,110)	(506,437)
	(10,463,663)	**(9,108,553)**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

11. Receivables from non-exchange transactions

Fines	2,452,810	1,780,330
Government grants and subsidies	3,747,744	7,937,130
Property Rates	22,747,873	19,275,159
Other receivables from non-exchange revenue 1	1,699,597	1,950
Provision for impairment	(3,577,052)	(3,577,052)
	27,070,972	**25,417,517**

Property Rates

Current (0 -30 days)	129,160	410,499
31 - 60 days	144,168	165,331
61 - 90 days	899,492	909,445
91 - 120 days	868,480	885,998
121 - 150 days	885,998	860,251
> 365 days	19,820,575	16,043,636
	22,747,873	**19,275,160**

Summary of debtors by customer classification

Households	1,986,100	2,225,530
Commercial	831,560	1,570,872
National and provincial government	22,173,275	12,101,752
Other	-	3,376,996
	24,990,935	**19,275,150**

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(3,577,052)	(3,086,831)
Provision for impairment	(1,000,000)	(490,221)
	(4,577,052)	**(3,577,052)**

The cause of high debt on the rates is due to the state owned properties that are in the process of being donated to the municipality. Although the donation has been signed by the two parties, the actual transfers have not materialised and as such the rates and refuse charges are still being rased to the relevant department, further the Department of Human Settlement is not prepared to pay the bills raised citing that all obligations on these properties were transferred to the municipality but the municipality cannot deem this as municipal property and charges are raised and full provision for impairment is also made. The donation agreement and the list of all affected propeties are available for inspection at municipal offices.

12. VAT receivable

VAT	4,084,624	1,930,774

Reconciliation of Vat

Vat / Tax Control Account	(81,880,480)	(71,672,471)
Input Vat - (Vendors)	1,545,508	743,349
Output Vat - (Billing)	(502,906)	(718,926)
Input Vat Paid	99,042,242	85,492,642
Output Vat Received	(14,119,739)	(11,913,820)
	4,084,625	**1,930,774**

Included in the above is the VAT claim relating to the INEP grant as per the contingent disclosure note 38

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

13. Cash and cash equivalents (continued)

Bank balances	12,290,596	2,975,701
Short-term deposits	218,879,889	165,083,635
	231,170,485	**168,059,336**

Funds not immediately available are invested with commercial banks in terms of the Cash and Investment policy and Municipal Investment Regulations.

Some other conditional grants agreements require that a separate investment (call account) be opened for them so that interest can be easily identified and accrued to the grant. These being the individual investments mentioned above and the remainder of investments is made up of own cash reserves and those grants not requiring separate investments account.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterpart default rates:

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2018	June 30, 2017	June 30, 2016
ABSA BANK - Cheque Account - 405-3562-762	12,001,307	2,765,933	34,982	12,001,307	2,702,602	(17,684)
ABSA BANK - Savings Account - 914-2845-014	289,208	273,083	256,091	289,208	273,083	257,091
Total	**12,290,515**	**3,039,016**	**291,073**	**12,290,515**	**2,975,685**	**239,407**

14. Statutory reserve

Housing Development Fund	112,725	106,440

This fund is regulated by the agreements and directives that are issued by the Human settlement department and is having a dedicated bank account.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Government Grant	23,974	23,974
Capacity Building	40,882	40,882
MFMA Grant	2,602	2,602
Cybercadet	220,147	-
Integrated Development Plan Grant	-	172,531
Municipal Infrastructure Grant	2,868,645	-
Municipal Systems Improvement Grant	-	81,129
Finance Management grant	-	28,506
COGTA Electrification grant	31,879	31,879
Bornem grant	836,728	523,702
Library Volunteer	128,773	36,773
Small business incubator grant	17,986	17,986
Sportsfield grant (Isilonjane)	20,331	20,331
DOE Electrification Grant (INEP)	-	39,295
Extended Public Works Grant (EPWP)	-	39,181
Sportsfield Maintenance Grant	194,191	156,930
Unspent Library modular	530,000	-
	4,916,138	**1,215,701**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See Appendix F for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised. Other grants require that a separate investment account be opened and this has been complied with.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	193,766	837,805	-	1,031,571
Leave pay provision	3,588,216	1,039,293	(64,859)	4,562,650
Provision 2	542,507	483,816	-	1,026,323
	4,324,489	**2,360,914**	**(64,859)**	**6,620,544**

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	193,766	-	-	193,766
Leave pay provision	3,809,473	91,805	(313,062)	3,588,216
Provision 2	628,899	-	(86,392)	542,507
	4,632,138	**91,805**	**(399,454)**	**4,324,489**

Environmental rehabilitation provision

The municipality is required to provide for the rehabilitation of the landfill site after the end of its useful life. The cost to rehabilitate the landfill site has been estimated by the engineers to be R 500 000 and the remaining life is 10-12 years.

However in November 2012 the landfill site was permanently closed and no future use was permitted due to environmental regulations. The process to rehabilitate the land is underway. No new provisions are raised since this site is not utilised anymore.

The new landfill site was opened and is fully licenced , the provision for rehabilitation was done and the report is available for inspection.

Leave Provision

The leave pay provision is based on the number of days each employee has accrued at year-end in terms of the South African Local Government Bargaining Agreement, and is calculated at termination rate.

17. Payables from exchange transactions

Trade payables	12,268,186	6,154,026
Payments received in advanced - contract in process	1,006,980	-
Pro-rata Accrued bonus	1,253,101	989,574
Other payables	151,863	117,768
Retentions	3,892,226	-
	18,572,356	**7,261,368**

The high increase in the Trade payables is due to the late approval of MIG invoices by COGTA where such was only approved and subsequently paid after the year-end. Bonus accrue to staff on an annual basis based on their anniversary month. The provision is an estimate of the amount payable to staff for the following year on a pro-rata basis. The timing of the amount is uncertain with regards to payment of pro-rata bonus when staff members resign.

18. Consumer deposits

Electricity	452,081	467,102
Refuse	51,508	56,000
	503,589	**523,102**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

19. Revenue

Service charges	12,747,470	14,763,782
Rental of facilities and equipment	501,745	523,454
Interest received (trading)	597,266	840,839
Licences and permits	859,238	788,998
Miscellaneous other revenue	1,169,877	2,069,590
Commissions received	115,534	120,352
Interest received - investment	16,916,977	12,813,407
Property rates	18,181,392	18,788,771
Property rates - penalties imposed	1,389,933	1,321,378
Government grants & subsidies	154,605,199	146,116,986
Fines, Penalties and Forfeits	708,263	612,316
	207,792,894	**198,759,873**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	12,747,470	14,763,782
Rental of facilities and equipment	501,745	523,454
Interest received (trading)	597,266	840,839
Licences and permits	859,238	788,998
Miscellaneous other revenue	1,169,877	2,069,590
Commissions received	115,534	120,352
Interest received - investment	16,916,977	12,813,407
	32,908,107	**31,920,422**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	18,181,392	18,788,771
Property rates - penalties imposed	1,389,933	1,321,378
Transfer revenue		
Government grants & subsidies	154,605,199	146,116,986
Fines, Penalties and Forfeits	708,263	612,316
	174,884,787	**166,839,451**

20. Service charges

Sale of electricity	11,379,461	13,083,445
Refuse removal	1,368,009	1,680,337
	12,747,470	**14,763,782**

21. Other revenue

Commissions received	115,534	120,352

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

22. Investment revenue

Interest revenue		
Bank	16,916,977	12,813,407
	-	-
	16,916,977	12,813,407

The amount included in Investment revenue arising from exchange transactions amounted to R -.

The amount included in Investment revenue arising from non-exchange transactions amounted to R -.

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to Rxxx (PY: Rxxx).

23. Property rates

Rates received

Residential	20,782,421	21,012,121
Less: Income forgone	(2,601,029)	(2,223,350)
	18,181,392	18,788,771
Property rates - penalties imposed	1,389,933	1,321,378
	19,571,325	**20,110,149**

Valuations

Residential	452,598,500	406,111,000
Commercial	549,904,000	597,588,500
State	401,398,000	401,398,000
Municipal	32,975,000	29,838,000
	1,436,875,500	**1,434,935,500**

The first valuation in terms of the Property Rates Act No.6 of 2004 came into effect on 01 July 2009. Valuations on land and buildings are performed every 3 years but the valuation roll is valid for four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Due to political climate in the municipality an application was made to the MEC for Local Government to have the validity of the valuation roll extended by a year which was subsequently approved. But this will be for the next reporting period.

A general rate of R 0.014 (2017:R 0.014) is applied to property valuations to determine assessment rates.

Rates are levied on an annual basis with the final date for payment being Saturday, June 30, 2018 (Friday, June 30, 2017). Interest at prime plus 2% per annum (2017:prime plus 2%), is levied on rates outstanding two months after due date.

Different rate randage are charged for different categories of rate payers. Primary statutory rebates is on first R 15 000 of property value, additional rebates were granted to all residential category of ratepayers as contained in the Council's approved Property Rates Policy for R 135 000 through reduction in value.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

24. Government grants and subsidies

Operating grants		
Equitable share	115,616,477	110,256,000
Cybercadet Grant	376,719	349,388
Municipal Finance Management Grant	1,874,506	1,796,494
Municipal Systems Improvement Grant	81,130	46,209
Library Support	1,449,802	1,119,000
Grant - Library Volunteer	-	12,857
Bornem Grant	541,737	1,695,639
Expanded Public Works Programe	1,003,001	1,286,163
DLGTA - IDP	172,531	-
Sportfield mantainance grant	129,738	48,083
	121,245,641	**116,609,833**
Capital grants		
Municipal Infrastructure Grant	33,359,558	29,507,153
	121,245,641	116,609,833
	33,359,558	29,507,153
	154,605,199	**146,116,986**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	35,860,986	35,860,986
Unconditional grants received	118,744,213	110,256,000
	154,605,199	**146,116,986**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All the residents with electricity get a Free Basic Electricity monthly allowance of 50kWh (2017: 50kWh), and releif is also provided to households who are indigent, pensioners and child-headed which is funded from the Equitable Share.

Municipal Government Grant

Balance unspent at beginning of year	23,974	23,974

Conditions still to be met - remain liabilities (see note 15). Provincial Local Government grants are used to implement administrative and financial framework and to improve governance. The grants are spent in accordance with a business plan approved by the Provincial Government.

Provide explanations of conditions still to be met and other relevant information.

Capacity Building

Balance unspent at beginning of year	40,882	40,882

Conditions still to be met - remain liabilities (see note 15). Provincial Local Government grants are used to implement administrative and financial framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial Government

Provide explanations of conditions still to be met and other relevant information.

MFMA

Figures in Rand	2018	2017

24. Government grants and subsidies (continued)

Balance unspent at beginning of year	2,602	2,602

Conditions still to be met - remain liabilities (see note 15).

Cybercadet Grant

Balance unspent at beginning of year	-	33,254
Current-year receipts	376,000	-
Conditions met - transferred to revenue	(376,719)	(349,388)
Other	220,866	316,134
	220,147	**-**

Conditions still to be met - remain liabilities (see note 15).

Library assistants are appointed and their salaries paid monthly. The department did not pay the allocations due to the municipality as gazetted, therefore all the expenditure incurred has been disclosed as debt due to the municipality.

Provincial Library Grants were allocated to subsidise the purchase of equipment for municipal libraries as well as contribution towards library staff salaries. Further funding was received for the installation of computer hardware and software for public Internet access, the cost of the Internet connectivity, furniture to house these computers and salaries for the employment of "cybercadets". The subsidies are spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

Intergrated Development Plan Grant

Balance unspent at beginning of year	172,531	172,531
Conditions met - transferred to revenue	(172,531)	-
	-	**172,531**

Conditions still to be met - remain liabilities (see note 15).

Improvement in the IDP processes will be undertaken in the ensuing financial year..

Municipal Infrastructure Grant (MIG)

Current-year receipts	42,691,000	29,778,000
Conditions met - transferred to revenue	(39,822,355)	(29,778,000)
	2,868,645	**-**

Conditions still to be met - remain liabilities (see note 15). National Conditional Grant are allocated in terms of the Division of Revenue Act. This grant is used to construct roads infrastructure as part of the uplifting the community, 15% of the funds should be spent on the sports facilities. No funds have been withheld.

There is an unspent grant of R 2.8 million which is fully committed and the municipality will apply for a formal rollover by National Treasury.

unicipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	81,129	127,338
Conditions met - transferred to revenue	(81,129)	(46,209)
	-	**81,129**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

24. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 15). National Conditional Grant are allocated in terms of the Division of Revenue Act. The Municipal Systems Improvement Grant is used to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation.

Provide explanations of conditions still to be met and other relevant information.

Municipal Finance Management Grant (MFMG)

Balance unspent at beginning of year	28,506	-
Current-year receipts	1,900,000	1,800,000
Conditions met - transferred to revenue	(1,928,506)	(1,771,494)
	-	**28,506**

Conditions still to be met - remain liabilities (see note 15).

.National Conditional Grants are allocated in terms of the Division of Revenue Act. The Financial Management Grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

COGTA Massification (Electrification) grant

Balance unspent at beginning of year	31,879	803,296
Current-year receipts	-	8,611,000
Conditions met - transferred to revenue	-	(9,382,417)
	31,879	**31,879**

Conditions still to be met - remain liabilities (see note 15).

This is the the Provincial Government grants from the Co-operative Government and Traditional Affairs department to fund the electrification of households in wards 3, 10 and 13. The contractor is on site. This project is under the distribution licence area of Eskom and on commissioning it will be handed over to Eskom for operating.

Bornem grant

Balance unspent at beginning of year	523,702	173,275
Current-year receipts	854,763	2,046,066
Conditions met - transferred to revenue	(541,737)	(1,695,639)
	836,728	**523,702**

Conditions still to be met - remain liabilities (see note 15).

This grants is from the Bornem municipality in Belgium which the municipality has the city to city co-operation and they give us funding to implement projects of mutual interest like youth, children, education. Projects under the MOA are still outstanding and under SCM processes

Library Volunteer

Balance unspent at beginning of year	36,773	49,630
Current-year receipts	92,000	-
Conditions met - transferred to revenue	-	(12,857)
	128,773	**36,773**

Conditions still to be met - remain liabilities (see note 15).

The volunteers are appointed but they are getting their stipends monthly.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

24. Government grants and subsidies (continued)

Small business incubator grant

Balance unspent at beginning of year	17,986	17,986

Conditions still to be met - remain liabilities (see note 15).

This is the the Provincial Government grants from the Co-operative Government and Traditional Affairs department to fund the construction of the business incubator. The contractor is on site and finishing off the building for phase II.

Sportsfield grant (Isilonjane)

Balance unspent at beginning of year	20,331	20,331

Conditions still to be met - remain liabilities (see note 15).

This is the the Provincial Government grants from the Sports and Recreation department to fund the refurbishment of Isilonjane Stadium. The stadium has been completed and these funds will be returned to the department should there be no further usage approved.

DOE Electrification Grant (INEP)

Balance unspent at beginning of year	39,295	-
Current-year receipts	24,000,000	18,000,000
Conditions met - transferred to revenue	(24,039,295)	(17,960,705)
	-	**39,295**

Conditions still to be met - remain liabilities (see note 15).g

The contractor is on-site and the electrification is underway. Department of Minerals and Energy provided a grant in support of Electrification Projects. The grants are spent in accordance with an approved business plan. This project is under the distribution licence area of Eskom and on commissioning it will be handed over to Eskom for operating.

Extended Public Works Grant (EPWP)

Balance unspent at beginning of year	39,181	-
Current-year receipts	1,003,000	1,337,000
Conditions met - transferred to revenue	(1,042,181)	(1,297,819)
	-	**39,181**

Conditions still to be met - remain liabilities (see note 15). National Conditional Grants are allocated in terms of the Division of Revenue Act. The grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in compliance with EPWP Guidelines.

Provide explanations of conditions still to be met and other relevant information.

Library Support

Balance unspent at beginning of year	1	1
Current-year receipts	2,608,000	-
Conditions met - transferred to revenue	(2,608,001)	-
	-	**1**

Conditions still to be met - remain liabilities (see note 15).

Library support staff is appointed and their salaries paid monthly. The department did not pay the allocations due to the municipality as gazetted, therefore all the expenditure incurred has been disclosed as debt due to the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

24. Government grants and subsidies (continued)

Modulor Library Support

Current-year receipts	530,000	-

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2018), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

25. Employee related costs

Basic	36,143,963	30,622,478
Bonus	2,935,857	1,847,657
Medical aid - company contributions	1,548,697	1,354,395
UIF	307,253	243,681
WCA	-	4,290
SDL	386,278	306,282
Leave pay provision charge	1,039,295	91,806
Group Life Insurance	5,474	5,474
Defined contribution plans	3,954,116	3,230,314
Overtime payments	1,904,160	1,314,526
Long-service awards	411,036	140,469
Housing benefits and allowances	35,848	27,454
Telephone and Cellphone Allowance	36,092	37,539
SALGBC Levies	18,787	13,837
	48,726,856	**39,240,202**

The salaries of the Senior Management detailed below are included in the overall salary cost above.

Remuneration of municipal manager

Annual Remuneration	1,199,812	1,117,559
Contributions to UIF, Medical and Pension Funds	13,486	12,755
Other	12,000	12,000
	1,225,298	**1,225,298**

Remuneration of chief finance officer

Annual Remuneration	1,056,693	984,252
Contributions to UIF, Medical and Pension Funds	11,980	11,347
Other	6,000	6,000
	1,074,673	**1,001,599**

Corporate and human resources (corporate services)

Annual Remuneration	256,615	201,856
Contributions to UIF, Medical and Pension Funds	3,081	2,301
Other	-	939
	259,696	**205,096**

Development planning and Housing

Annual Remuneration	952,182	886,618
Contributions to UIF, Medical and Pension Funds	11,227	10,354
Other	6,000	6,000
	969,409	**902,972**

Technical Services

Annual Remuneration	156,315	886,618
Contributions to UIF, Medical and Pension Funds	1,840	10,354
Other	692	6,000
	158,847	**902,972**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

26. Remuneration of councillors

Executive Major	636,995	120,476
Deputy Executive Mayor	518,475	88,761
Mayoral Committee Members	1,515,050	277,369
Speaker	399,612	68,843
Councillors	7,748,965	5,978,927
Contributions to UIF and SDL	66,193	40,015
	10,885,290	**6,574,391**

In-kind benefits

The MEC for Local Government designated three political offices to be full-time i.e. Mayor, Deputy Mayor and Speaker, however the Speaker is currently not utilising this as he is currently in full-time state employment . The Mayor, Deputy Mayor and Speaker are provided with an office and individual secretarial support at the cost of the Council while all other councilors share the secretariat.

During the prior year period the Council was dissolved after failing to establish itself and the councilors were only paid for 9 months as opposed to full months in current year..

The Mayor, Deputy Mayor and Speaker have the use of Council owned vehicle for official duties, they have full-time drivers and bodyguards as per their tools of trade.

The Mayor has three full-time bodyguards . The Deputy Mayor and speaker have two full-time bodyguards.

The Councilor allowances are as per the Government Notice No. R 1440 dated 15 December 2017 and approved by the MEC for CoGTA at 100% of upper-limits as applicable to grade 3 for part-time and full-time councilors where applicable.

27. Depreciation and amortisation

Property, plant and equipment	18,228,900	16,066,603

28. Impairment of assets

Impairments		
Property, plant and equipment	(2,368)	25,512
	(2,368)	25,512
	-	-

29. Finance costs

Non-current borrowings	-	3,594

30. Debt impairment

Contributions to debt impairment provision	2,355,110	996,659

31. Bulk purchases

Electricity	17,550,876	17,152,275

32. Contracted services

Security	4,839,576	3,205,395

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

33. General expenses

Advertising	342,259	151,698
Auditors remuneration	3,451,699	1,937,633
Bank charges	138,498	119,518
Cleaning	324,352	588,475
Commission paid	118,171	121,140
Consulting and professional fees	5,114,005	4,215,459
Consumables	896,344	748,441
Entertainment	90,463	56,767
Disaster Management	1,218,800	1,223,180
Hire	109,600	73,768
Insurance	652,791	527,497
Youth development and training	6,853,823	4,890,073
IT expenses	1,125,076	584,589
Publicity	785,547	706,570
Promotions and sponsorships	451,702	119,786
Medical expenses	-	1,000
Motor vehicle expenses	63,125	208,863
Fuel and oil	1,741,133	1,195,972
Printing and stationery	631,995	374,357
Community Development Projects	1,260,109	2,455,746
Repairs and Maintenance	2,010,773	2,134,868
Software expenses	891,774	955,181
Subscriptions and membership fees	140,565	579,662
Telephone and fax	281,477	233,773
Training	429,035	859,607
Travel - local	2,481,844	2,805,332
Electricity	447,163	495,686
Water	686,281	369,402
Uniforms	420,195	620,614
Tourism development	267,496	455,841
Audit Committee	101,439	39,061
Indigent Support(FBE)	2,346,878	2,371,339
Ward Committees Stipends	1,511,070	119,200
Environmental provisions	837,805	-
	38,223,287	**32,340,098**

34. Auditors' remuneration

External Audit Fees	1,230,739	1,086,328
Internal Audit Fees	2,220,960	851,305
	3,451,699	**1,937,633**

35. Operating lease

The municipality is leasing photocopying machines on a 36 months operating starting on 01 September 2017 and ending on 31 August 2020, with no annual escalation on rentals. There is no contingent rent payable.Describe the lessee’s significant leasing arrangements which include:

Minimum lease payment		
- within one year	216,169	7,749
- later than one year and not later than five years	216,169	-
- later than later five years	44,916	-
	477,254	**7,749**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

36. Cash generated from operations

Surplus	66,650,212	82,676,000
Adjustments for:		
Depreciation and amortisation	18,228,900	16,066,603
Gain on sale of assets and liabilities	138,545	329,989
Impairment	(2,368)	25,512
Movements in retirement benefit assets and liabilities	311,087	137,287
Movements in provisions	2,296,055	(307,649)
Prior-year adjustments	(6,567,929)	28,533
Changes in working capital:		
Inventories	34,893	34,895
Receivables from exchange transactions	7,727,214	(664,288)
Other receivables from non-exchange transactions	(1,653,455)	(5,805,941)
Prepayments	(688,266)	-
Payables from exchange transactions	11,310,988	(3,094,946)
VAT	(2,153,850)	10,014,672
Unspent conditional grants and receipts	3,700,436	(287,409)
Consumer deposits	(19,513)	8,415
Employee benefit obligation -current portion	(12,486)	(202,506)
Housing Development fund	6,233	6,233
	99,306,696	**98,965,400**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

37. Commitments

Authorised capital expenditure

Already contracted		
• Property, plant and equipment (Work in progress)	26,848,332	34,559,061
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	58,338,578	41,510,536
Total capital commitments		
Already contracted for but not provided for	26,848,332	34,559,061
Not yet contracted for and authorised by accounting officer	58,338,578	41,510,536
	85,186,910	**76,069,597**

Authorised operational expenditure

Already contracted for but not provided for		
• Proffessional Services - Property Valuation	920,000	-
Not yet contracted for and authorised by accounting officer		
• Contracted services - Municipal general security	16,517,131	-
Total operational commitments		
Already contracted for but not provided for	920,000	-
Not yet contracted for and authorised by accounting officer	16,517,131	-
	17,437,131	**-**

Total commitments

Total commitments		
Authorised capital expenditure	85,186,910	76,069,597
Authorised operational expenditure	17,437,131	-
	102,624,041	**76,069,597**

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc. Included above are contracts relating to electrification projects that are in the Eskom licence area which are subsequently handed over to Eskom after completion.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	216,169	7,749
- in second to fifth year inclusive	216,169	-
- later than five years	44,916	-
	477,254	**7,749**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable. Additional information on leases is disclosed on note 35

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

38. Contingencies

There is a pending matter relating to INEP/Massification grants treatment of VAT that the municipality claimed as Input VAT based on previous guidance issued by Treasury, subsequent to that there is a guidance that affected the treatment of spending on these grants which have impact on the VAT Input already claimed and for future. The current amount is estimated at R 8 million, once we sought additional guidance this will be treated accordingly. The matter is relating to the treatment of electrification grants expenditure on the areas under the licensed areas of Eskom where we are handing over such project on completion to Eskom for maintenance.

Nquthu Plaza-McCormick is demanding the municipality to finalise the transfer of land that was bought, the municipality is defending this matter as there are conditions in the deed of sale that the buyer has failed to meet. The municipality is willing to finalise the sale once the conditions are met. The estimated legal costs are R 100 000..

Claim for loss of support from family of former councillor Ntombela who was killed in school premises where he was also teacher, where another learner was killed and others injured. The estimated claim and legal costs value is R 20 670 000.

LNS Holding who was an appointed middle-housing developer is demanding the municipality to finalise transfers to buyers of sites, the municipality is defending the matter because the agreement was not to sell vacant and commercial sites, but to build and sell houses. Furthernore gains from those site sales were not paid over to the municipality. Estimated legal costs are R 100 000.

Disputes regarding appointment of senior managers is in the High Court where the MEC for CoGTA has submitted application for the provision of further documents in the renewal process of existing senior managers and new appointment. The estimated legal fees are R 300 000.

Department of Labour is charging the municipality for not submitting the Employment Equity Plan an the estimated cost is R 20 000.

Dees Tow-Ins & Auto Works was appointed to tow the truck to Vryheid but they towed it to their premises in Dundee and subsequently claimed storage fees and refused to release the truck and take it to Vryheid, the estimated costs inclluding legal fees is R 50 000.

Summary of matters

LNS Holding	100,000	100,000
Nquthu Plaza-McCormick	100,000	-
MEC for CoGTA	300,000	-
Department of Labour	20,000	-
Dees Tow-Ins & Auto Works	50,000	-
Ntombela family and others	20,670,000	-
INEP grant/Eskom	8,000,000	4,000,000
	29,240,000	**4,100,000**

39. Related parties

The salaries of members of key management and councilors are disclosed under the employee costs note 26. The municipality does not have any other related parties except for the management and councilors we also do not have a municipal entity.

The municipality did not have any related party transactions.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

40. Change in estimate

Property, plant and equipment

The municipality has conducted the review of the remaining useful lives of assets. Such review has been completed on Furniture and Fittings as well as Computer Equipment and the following results were achieved.

The indicator, “The asset is approaching the end of its previously expected useful life”, was identified in respect of 948 assets. Management determined that these assets will still be in use for at least the next two financial periods and the remaining useful lives of these assets were extended accordingly.

The impact of the adjustment is that depreciation charges on Property, Plant and Equipment for the 2018 financial period has decreased by R138,710.02 for the 2018, 2019, and 2020 financial periods.

41. Prior period errors

Statement of financial position		
Property, plant and equipment	-	(25,953,389)
Statement of financial performance		
Depreciation expense	-	(25,953,389)
Grants Expenditure	-	25,953,389

42. Comparative figures

No comparative figures have been reclassified or restated, the initial implementation of Municipal Standard Chart of Accounts Regulations (MSCOA) did not have any material classification changes on the prior year financial statements. Since the Municipal Council was dissolved in prior year there were many activities that required the Council to undertake that were not undertaken, this will cause higher variances on year on year comparative basis.

43. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: the current global economic crisis may have effect whereby businesses closes and fail to pay their debts due, also the unemployment levels will increase and more debts maybe written-off.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. .

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Market risk

Interest rate risk

As the municipality does have significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates. But the municipality is only investing on banks as per Cash and Investment regulations which limits the exposure.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

44. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

45. Events after the reporting date

No material facts and circumstances have occurred between the accounting date and the date of this report that would have an impact on the financial statements.

46. Unauthorised expenditure

There were no unauthorised expenditure recorded in the financial year.

47. Fruitless and wasteful expenditure

Opening balance	563,019	556,098
Fruitless and wasteful expenditure - incurred	8,414	6,921
Less: Amounts not recoverable	(563,019)	-
	8,414	**563,019**

The office of the Accounting Officer has prepared a report of the instances, which relates to interest charged on late payment of accounts (Eskom, Telkom & Motor Vehicle licences), the report was considered by the Council.

48. Irregular expenditure

Opening balance	2,498,807	-
Add: Irregular Expenditure - current year	6,115,987	2,498,807
Less: Amounts not recoverable	(2,498,807)	-
	6,115,987	**2,498,807**

Details of irregular expenditure – current year

	Details	Award Amount	Amount paid this year
Ocean Dawn	Contract extension on month to month basis	2,328,870	2,328,87
G4S Security	Contract extension on annual basis	60,371	60,37
Cigicell	Contract extension on month to month basis	135,010	135,01
AON South Africa	Contract extension on annual basis	706,395	706,39
Altech Netstar	Contract extension on annual basis	110,937	110,93
Ekene Investments CC	SCM Regulations non-compliance	4,878,494	2,645,65
Zime-du trading enterprise	SCM Regulations non-compliance	420,914	128,74
Ah-Tak-Thi-Ki Trading 539 CC	SCM Regulations non-compliance	2,792,118	
		11,433,109	**6,115,987**

The above relates to the extension of contracts after expiry that was approved by the Accounting and must be condoned by the Council, the procurement processes for these contracts is underway as at the end of the reporting period. The other instances are for non-compliance with SCM Regulations where the Council must deal with those transactions.

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Amount paid - current year	813,306	561,126

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Current year subscription / fee	1,230,739	1,086,328
Amount paid - current year	(1,230,739)	(1,086,328)
	-	**-**

PAYE and UIF

Current year subscription / fee	7,141,404	5,590,211
Amount paid - current year	(7,141,247)	(5,590,211)
	157	**-**

Pension and Medical Aid Deductions

Current year subscription / fee	8,533,609	7,512,462
Amount paid - current year	(8,533,609)	(7,512,462)
	-	**-**

VAT

VAT receivable	4,084,624	1,930,774

All VAT returns have been submitted by the due date throughout the year, returns are submitted monthly and on payment basis. SARS paid the interest for late refunds when they made refunds where applicable. There are two refunds outstanding May R 654 122.26 June R 2 387 900.52.

Councillors' arrear consumer accounts

There was one Councilor who had arrear account outstanding for more than 90 days at June 30, 2018 who also had account outstanding for more that 90 days during a financial year.

June 30, 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. ET Nhlebela	-	14,138	14,138
Cllr. SD Masimula	755	-	755
Cllr. LS Hoffman	134	-	134
	889	**14,138**	**15,027**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

50. Actual operating expenditure versus budgeted operating expenditure

Explanations for the variances on comparison of actual operating expenditure versus budgeted expenditure are stated below. Only variances of above 10% are provided with explanations.

51.1 Statement of financial performance

51.1.1 REVENU51.1 Statement of financial performance
Service charges - Consumption of electricity is based on demand by residents which fluctuates and losses as disclosed in the material electricity losses

Rental of facilities and equipment - Rental income is usage dependant which cannot be controlled

Government grants and subsidies - Additional grants received (MIG), increased in spending on grants.

Miscellaneous other revenue - Income is ad hoc and municipality has no control over

Interest received - investment - Investing of funds not required immediately to earn higher interest

5.1.2 EXPENDITURE

Depreciation - Major infrastructure projects completed earlier than expected

Employee related costs - Employees not making use of benefits like medical aid and housing

Repairs and maintenance - Repairs and planned maintenance are done as required, expenditure is based on those

Bulk purchases - Based on electricity consumption patterns by the consumers.

Contracted Services - Reduction of the outsourced activities

General Expenses - Cost containment strategies to reduce costs and unnecessary spending in line with priorities set like publicity, accommodation, printing and stationery etc.E

51. Actual capital expenditure versus budgeted capital expenditure

The explanations for variances above 10% on the comparison of actual capital expenditure versus budgeted expenditure are provided below.

52. Deviation from supply chain management regulations

There were no deviations from the Municipal Supply Chain Management Regulations and Policy recorded during the reporting period.

53. Assets subject to restrictions

There are no assets that have been recognised, which have are subject to any restrictions.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

54. Material Losses - Electricity

kWh value		
Total Purchased(kWh)	20,556,545	20,180,313
Total Sold (kWh)	(9,621,268)	(10,737,358)
Own consumption (kWh)	(124,428)	(95,698)
Free basic electricity (kWh)	(638,450)	(635,950)
	10,172,399	**8,711,307**
Monetary value		
Average selling price per kWh	1.2890	1.1470
Electricity cost (R)	18,099,050	17,686,150
Electricity loss (R) (Based on kWh loss)	**13,112,222**	**9,991,869**

The municipality is licensed by the National Electricity Regulator of South Africa to distribute electricity within the proclaimed area of Nquthu Town.

The municipality has investigated the causes of the losses and the major contributing factors are illegal connections, tampering, lack of accounting for streetlight usage and technical/distribution losses due to ageing infrastructure.

The percentage of losses is 49.48% (2017:43.17%) in kWh values.

55. Indigent support

All Eskom customers qualify for Free Basic Electricity (FBE) which is 50kWh per month

Households amounting to 1 180 are subsidized for alternative energy per month on the solar panels - 1 713 households - projects for those areas without electricity as yet, installations to other households is proceeding.

Electricity customers serviced by our licence also get a 50kWh every month. The management has been tasked to develop a policy where only deserving households benefits in all these rather than the current blanket approach.

56. Awards to persons in service of state

Supplier name	Official	Employer	Amount paid in current year	Amount paid in current year
Somgish Trading	Celukwazi Justice Gumbi	KZN: Education	131,100	131,100
Nomadavathi (Pty) Ltd	Sizakele Mkhize	KZN: Education	30,000	30,000
Sphumelele Macebisa	Mfanukhona Zwelihle Welcome Mgaga	KZN: Education	30,938	30,938
	-	**-**	**192,038**	**192,038**

The were awards made to people who are in employ of the state, which were only identified through the audit where it was determined that the suppliers declared false information. The MBD 4 forms are used as a control measure for this. The introduction of Central Supplier Database (CSD) also improved the controls in place, however the CSD has given us information that is contrary to what Auditor-General is getting and this must be taken up with National Treasury as the custodians of CSD.

57. Budget differences

Material differences between budget and actual amounts

There were no material differences between the final budget and the actual amounts where reasons are provided in note 50.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

57. Budget differences (continued)

Changes from the approved budget to the final budget

There were no changes from the approved budget to the final budget.